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Eurofound Yearbook 2015: Living and Working in Europe

Eurofound

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Eurofound Yearbook 2015: Living and Working in Europe

Abstract
[Excerpt] Eurofound celebrated the 40th anniversary of its founding in 2015. In 1975, the then European Community set up the Agency, charging it with the task of contributing to the planning and design of better living and working conditions in Europe. The social policy agenda and priorities may have changed over those 40 years, but Eurofound’s mission throughout has been constant: to support policymakers to develop the best solutions to the social- and work-related challenges faced by the European Union.

This celebratory year for Eurofound proved to be another year of upheaval for Europe, with the surge of refugees in unprecedented numbers widening the political fractures opened by the economic crisis. Yet the need to address disparities, to improve social cohesion, and to regain the path to social and economic convergence has not receded, and it is here that Eurofound makes its presence felt.

Keywords
Eurofound, living conditions, working conditions, employment, labor market

Comments
Suggested Citation

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Foreword

Eurofound celebrated the 40th anniversary of its founding in 2015. In 1975, the then European Community set up the Agency, charging it with the task of contributing to the planning and design of better living and working conditions in Europe. The social policy agenda and priorities may have changed over those 40 years, but Eurofound’s mission throughout has been constant: to support policymakers to develop the best solutions to the social- and work-related challenges faced by the European Union.

This celebratory year for Eurofound proved to be another year of upheaval for Europe, with the surge of refugees in unprecedented numbers widening the political fractures opened by the economic crisis. Yet the need to address disparities, to improve social cohesion, and to regain the path to social and economic convergence has not receded, and it is here that Eurofound makes its presence felt.

As part of its input to the policymaking agenda, the Agency collaborated with the Latvian and Luxembourg EU Presidencies to feed into several high-level events. These included key contributions to informal meetings of the EPSCO Council, as well as EU Presidency conferences and high-level meetings. The Agency consolidated its role further through participation in thematic review meetings and regular events of the Employment Committee (EMCO) and Social Protection Committee (SPC). Equally, Eurofound’s programme of internal visits to its headquarters in Dublin during the year, including those by Commissioner Marianne Thyssen and Guy Ryder, Director-General of the International Labour Organization, were important in multiplying the reach of Eurofound’s activities.

Also in 2015, Eurofound took over the Coordination of the EU Agencies Network, which comprises the 44 Agencies that have been set up to carry out specific legal, technical and scientific tasks to support policymaking in the EU. In its role of Coordinator, Eurofound concentrated on strengthening the relationship between the Agencies and high-level policymakers at EU and Member State levels and enhancing the Network’s effectiveness by adopting a more strategic and proactive approach to setting its agenda over the coming years.

Turning to the main themes of Eurofound’s activities in 2015, combating unemployment was still a priority and will be for some time to come. Eurofound’s monitoring of the changing balance in the employment structure across jobs of different pay levels and the labour market dynamics in different sectors of the economy provide a foundation for policies aimed at improving the functioning of labour markets. Through its youth-focused research, the Agency maintained its significant contribution to endeavours to tackle the high rates of youth unemployment and the risk of social exclusion. Free movement of European workers continues to be a cornerstone of EU-level employment strategy, and the Agency’s work on mobility and migration should lend clarity to policymaking in this area.

Eurofound examined new sources of employment, new paths to employment and emerging new forms of employment that offer flexibility to enable workers to enter the labour market — themes of major interest as Europe seeks to regain the employment targets set in the Europe 2020 strategy for growth. But as employment rises, questions are being asked about the quality and sustainability of the new jobs being created and what this means for workers. By exploring and developing the key concepts of sustainable work and win–win workplace practices, Eurofound offers a vision of work that supports a growing, competitive economy while at the same time championing quality of work for workers.

Quality of life has slipped for many Europeans, and poverty is a reality or a real threat for millions. Eurofound’s work in this area in 2015 drew attention to the inequalities that weaken social cohesion and social convergence within the Union.

Evidence from Eurofound’s Performance Monitoring System (EPMS) shows that all this activity is having an impact. In 2015, 81 key EU policy documents referred to Eurofound’s findings and expertise. Eurofound experts took part in 129 policy-related events as speakers, panel members or moderators; contributions to EU Presidencies increased by nearly 50% compared with 2014. Eurofound’s work was cited in 601 peer-reviewed academic journals, a 7% increase from 2014, attesting to the recognition of the scientific quality of the Agency’s work.

Four decades on since its foundation, Eurofound looks forward to continuing to contribute to improving the living and working conditions of all Europeans.

Juan Menéndez-Valdés
Director
Eurofound

Erika Mezger
Deputy Director
Eurofound

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# Living and working in Europe 2015

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Eurofound: esimesed 40 aastat
„Eurofound“ - pirmieji 40 metų
Eurofound: 40 ensimmäistä vuotta
Eurofound: Първите 40 години
Eurofound: Pierwsze 40 lat
Eurofound: Prvih 40 let
Employment and labour markets 2015

Employment growth was sustained in 2015, returning to a level similar to that seen before the crisis, although the EU employment rate remains well below the pre-crisis peak. As the recovery took hold, employment patterns shaped by crisis and recession started to reverse. Low-paid and mid-paid jobs grew, and more opportunities opened up for male workers, young workers and workers without higher education.

One thing the crisis made plain was that a resilient employment structure is built upon a diverse base. Dependency on a declining low-end manufacturing sector and an overheated construction sector in some countries assured a huge loss of jobs when the economic storm descended. New sources of employment need to be sought and supported. Certain types of small and medium-sized enterprises may have substantial job creation potential, and the latent entrepreneurial drive of the young generation is waiting to be exploited. New types of employment arrangements may offer the flexibility workers seek in order to enter or stay in the labour market or they may open up new opportunities for economic activity, although some come at a cost to working conditions.
Employment in the EU has increased steadily since late 2013, resuming a growth rate of around 1% per annum, which is close to ‘standard’ pre-crisis, non-recessionary rates of employment growth. By the end of 2015, unemployment had fallen to 9.0% in the EU28 and to 10.4% in the euro zone, each indicator down a percentage point on the previous year.

The contrast between Member States in the wake of the economic crisis, where some showed employment resilience while others grappled with collapse, became a little less stark. While unemployment rates in Greece and Spain, the countries most scarred by the crisis, remained high at over 20%, both saw a restart of employment growth, with Spain adding half a million new jobs from the first quarter of 2014 to the first quarter of 2015. Ireland’s unemployment rate, at 8.8%, fell below the EU average.

Austria and Finland, countries that had fared comparatively well during the crisis, recorded annual increases in unemployment in the last year, albeit from a low base in the case of Austria.

Unemployment remained in double digits in France (10.2%) and Italy (11.4%), two of Europe’s largest economies. On the other hand, employment growth has been particularly strong in the UK, which created 1.7 million net new jobs since 2012.

Overall, there is still some way to go. Three million fewer people were in employment in 2015 compared with the pre-crisis employment peak in 2008. The EU continued to struggle behind the United States, where unemployment was 5% (however, the United States has more of a problem with discouraged workers, with activity rates declining since 2008, while they have risen in the EU). The youth unemployment rate, which peaked at 23.8% in mid-2013, remains high at 19.7% for the EU as a whole, and nearly half of 15–24-year-olds in Greece and Spain seeking employment cannot find a job.
Restructuring

The improving employment situation reflects falling job loss and rising job creation resulting from company restructurings in 2015. The European Restructuring Monitor (ERM), which records company restructurings involving at least 100 jobs announced in European media, shows that since mid-2014, the total number of new jobs announced by employers has converged with the number of job losses announced (Figure 1).

Figure 1: Announced restructuring job loss and job gain, 2008–2015

Manufacturing continues to be the sector responsible for the largest share of announced job loss (35%) and job gain (30%) in the ERM in 2013–2015 (Figure 2). (This, in part, reflects an overrepresentation of manufacturing in the ERM database due to the predominance of large companies in the sector, whose restructurings consequently tend to be large scale.) Nevertheless, manufacturing’s share of job loss and particularly job gain has tended to decrease over time, reflecting the sector’s diminishing contribution to overall employment.
The retail and financial services sectors accounted for an increased proportion of announced job losses in 2013–2015, but such losses fell sharply in public administration, reflecting an end to public sector budget cuts (or ‘austerity’) in many countries.

New jobs announced rose sharply in the sector labelled ‘other private services’ – a broad grouping including legal services, engineering, consultancy, media, hotels and restaurants, as well as other professional and administrative services. This sector now represents over one in four of every new job recorded in the ERM database.

Employment by sector

The trends described by the ERM are in line with EU-LFS data, which provide further insights into the employment situation in different sectors of the economy. Figure 3 shows employment growth in these sectors, comparing 2008–2013 and 2013–2015; the sectors cluster in four groups.
Structurally growing service sectors

These are mostly high-skill service sectors where employment grew during the crisis and growth has strengthened since 2013. The most significant in terms of overall employment are health and education, where there is widespread evidence of increasing private sector employment, especially in health. There has also been sustained employment growth in the broad categories of professional services (such as legal, accounting, engineering and management consultancy services), as well as administrative services (such as employment, security, travel and building maintenance services). These sectors tend to be labour intensive, requiring higher skills and for the most part involving tasks that are not easy to automate and replace with technology.

Employment growth in services in 2013–2014 was spread across the wage spectrum, being as likely to take place in lower paid jobs as in higher paid jobs. This marked a sharp change from the preceding crisis and post-crisis periods, where growth was concentrated in higher-paid jobs. The job that contributed most to services employment growth was that of personal service workers in the food and beverage sector, which grew by over 200,000. There has also been strong growth in the employment of cleaners and helpers in health, residential care and social work activities.

In the public sector, one high-paid, high-skill job that grew was that of health professionals in healthcare, while in the private sector there was fast growth of ICT professionals in computer programming, as well as business and administrative professionals in head office and management consultancy activities.
Stagnant or slow-growing service sectors
These include private sector activities – retail, transport and finance – and public administration. In finance and retail, technological advances such as online banking, self-service and online shopping are likely to have suppressed demand for labour even as economies have recovered. As the transport sector includes postal and courier activities, technology is likely to have been a factor here as well, with internet communication replacing traditional mail and the emergence of new sorting technologies. Recent liberalisation may be a contributing factor too. Reduced public spending is the most likely factor behind declines in the public administration headcount, although, again, technology in the form of e-government developments is likely to have contributed.

Manufacturing and construction
These two sectors suffered the greatest job losses during and after the 2008–2009 crisis but have experienced some modest growth since 2013, amounting to some 70,000 net new jobs in construction (0.2% per annum growth) and 700,000 in manufacturing (1.1% per annum growth).

In manufacturing, recent employment growth appears to be broad based and distributed across many jobs in skilled blue collar and white collar grades. The manufacturing jobs with the greatest employment growth are:
- science and engineering associate professionals in food manufacturing and chemicals manufacturing;
- assemblers in auto manufacturing and metal manufacturing;
- machinery and related craft workers in fabricated metal products manufacturing.

Agriculture
Employment in this sector declined at a rate of around 2% per annum in both periods, reflecting a long-term decline in employment.
Now that employment growth has changed from negative to positive, the question arises of whether this has entailed any change in the nature of the jobs created or lost.

Analysis of employment shifts by the European Jobs Monitor (EJM) during and after the crisis showed that up to 2013 the jobs destroyed were mostly mid-paid and mid-low-paid. This was largely a result of the disproportionate share of job losses in the manufacturing and construction sectors, where jobs in these pay categories predominate.

Employment in this period grew overall only in the best paid, high skilled jobs. The lowest-paid jobs also tended to be more resilient, suffering relatively modest losses compared with jobs in the middle of the pay spectrum.

The most recent data, spanning the second quarter (Q2) of 2013 to Q2 of 2014, when 1.8 million net new jobs were created, show a distinctive break from this pattern. Growth has occurred across all pay categories, except the mid-high-paid. Most net new employment has occurred in the bottom three-fifths of the wage spectrum. This could indicate that there has been a recovery or replacement of jobs previously destroyed as labour market conditions improve. It could also be that the resumption of more normal annual employment growth has been achieved mainly through the creation of jobs of lower quality (in terms of wage, at least).

However, a changed pattern in one year’s data cannot be treated as a definitive trend and should be regarded as the basis of hypotheses to be tested with further waves of data.

Employment growth in the UK had a disproportionate impact on the 2013–2014 pattern. It accounted for almost half of the employment growth in the EU in the period, creating over 800,000 net new jobs. Omitting the UK data reduces the employment growth in the lowest two-fifths, which recasts the picture in a more upgrading light. Nonetheless, the latest data – not just in the UK but also in Germany, Italy and quite a few other, less populous Member States – points clearly to faster growth in low-paid jobs in 2013–2014 than has previously been the case.
Trend reversals

With the resumption of employment growth, trends that emerged during and after the crisis are showing signs of reversal.

Gender
Women in the labour market were less affected than men by the job destruction of the crisis; the huge job losses in manufacturing and construction affected male workers, while the resilience of health and education benefited women to a greater extent than men. In 2013–2014, male employment recovered in low-paid and mid-paid jobs. To a certain extent, this growth is a replacement of employment previously shed, especially in the manufacturing sector, which has begun to recover some of its previous losses. Male employment has also been growing in lower paid services, often in jobs that up to now had been predominantly occupied by women.

Age
Employment growth has also returned for younger workers. Up to 2014, net employment grew only for workers aged over 50. Only with the resumption of employment growth in 2013–2014 has there been a net year-on-year increase in jobs for those aged under 50 – first in early 2014 for those aged 25–39 and, more recently, in late 2014 for workers aged 15–24.

Educational attainment
Net employment growth benefited those with third-level qualifications in the period 2008–2013. However, labour markets now appear to be offering more employment opportunities to workers with a secondary education, and this is one of the main reasons behind the most recent employment recovery in low- and mid-paid jobs. The broader pattern, however, underlines that a third-level degree is increasingly a prerequisite, but not a guarantee, of employment in mid- and higher-paid jobs.

Full-time vs part-time
The crisis bolstered part-time employment such that in 2015 there were 4.7 million more part-time workers in the EU than in the 2008 and 8.3 million fewer full-time workers. The share of part-timers has risen especially sharply in Austria and Germany, and it has continued to grow in the Netherlands, where the number of part-time workers has overtaken the number of full-time workers. Part-time employment tends to be much less prevalent in eastern European Member States, especially in Bulgaria and the Baltic states. However, the latest data show that full-time employment growth has resumed since 2014, indicating that labour markets on the whole are starting to normalise as employer confidence in future economic prospects grows, albeit with major variations geographically (Figure 4).

Figure 4: Part-time and full-time employment growth, in thousands, quarterly year-on-year, 2009–2015
New forms of employment

One feature of the employment terrain apparent in 2015 was that new forms of working arrangements are developing to meet the demands for flexibility from both employers and workers. Employers are attempting to manage their workforces in line with the specific characteristics of their business activities, such as fluctuating and unpredictable demand, or to respond to macroeconomic pressures, such as competition and globalisation. The employment forms that have evolved as a result may enable the business to operate at a feasible cost, but the job quality is often questionable. Workers, too, are seeking flexibility, however. More are looking to break out of the traditional nine-to-five working day to change how they allocate time to work and personal life. It also suits more people to work in a setting other than the traditional workplace, something made feasible by technology.

Eurofound has documented nine new forms of employment that have emerged in Member States under the influence of these trends, enabling employers, employees or both to achieve the flexibility they seek. (In the context of the research, ‘new’ means a form of employment that is new in at least one Member State, irrespective of whether or not it is already established in others.)

These new forms of employment are characterised by one or both of the following:

- a new model of the employment relationship between employer and employee, or between the client and worker;
- a new work pattern – in other words, a new way of conducting work.
## Nine new forms of employment

<table>
<thead>
<tr>
<th>Form of Employment</th>
<th>Typically employs...</th>
<th>Typically occurs in...</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Employee sharing</strong></td>
<td>A worker is hired and shared jointly by a group of employers, which provides permanent full-time employment for the worker.</td>
<td>— Workers with low-level or general skills</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Specialists</td>
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<tr>
<td></td>
<td></td>
<td>— Sectors with seasonal fluctuations (such as agriculture and tourism) and manufacturing</td>
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<tr>
<td></td>
<td></td>
<td>— Private sector SMEs</td>
</tr>
<tr>
<td><strong>Interim management</strong></td>
<td>A high-skilled manager is hired temporarily for a specific project or to solve a specific problem, thereby integrating external management expertise in the work organisation.</td>
<td>— High-skilled and experienced experts (mainly with management competences)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Middle-aged and older workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Private sector traditional industries</td>
</tr>
<tr>
<td><strong>Job sharing</strong></td>
<td>An employer hires two or more workers to jointly fill a specific job, combining two or more part-time jobs into a full-time position.</td>
<td>— Younger and older workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Women</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Labour market re-entrants</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Public sector</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Both low-skilled and high-skilled jobs</td>
</tr>
<tr>
<td><strong>ICT-based mobile work</strong></td>
<td>Workers do their job from any location at any time, supported by modern technologies.</td>
<td>— High-skilled specialists, knowledge workers, management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Young workers</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Men</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— Private sector services (notably IT and creative industries)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>— International businesses</td>
</tr>
<tr>
<td><strong>Collaborative employment</strong></td>
<td>Typically employs…</td>
<td>Typically occurs in…</td>
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<tr>
<td>-----------------------------</td>
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</tr>
<tr>
<td>Freelancers, self-employed workers or micro enterprises cooperate to overcome limitations of size and professional isolation. They include <strong>umbrella organisations</strong>, which offer specific administrative services such as invoicing clients or handling tax affairs; <strong>coworking</strong>, which involves sharing a work space and back-office and support tasks; new types of <strong>cooperatives</strong>, jointly owned and democratically controlled enterprises.</td>
<td>— Umbrella organisations: highly skilled, older workers — Coworking: highly skilled, young workers in the creative industries</td>
<td>— Cooperatives: construction and manufacturing</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Portfolio work</strong></th>
<th>Typically employs…</th>
<th>Typically occurs in…</th>
</tr>
</thead>
<tbody>
<tr>
<td>A self-employed individual works for a large number of clients, doing small-scale jobs for each of them.</td>
<td>— Highly skilled and experienced experts</td>
<td>— Private sector services, notably IT and creative industries</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Crowd employment</strong></th>
<th>Typically employs…</th>
<th>Typically occurs in…</th>
</tr>
</thead>
<tbody>
<tr>
<td>An online platform matches workers with employers for specific projects, often with larger tasks being split up and divided among a ‘virtual cloud’ of workers.</td>
<td>— Highly skilled workers — Young workers</td>
<td>— IT and web-related sectors, creative industries — SMEs and large companies lacking internal capacities, NGOs</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Voucher-based work</strong></th>
<th>Typically employs…</th>
<th>Typically occurs in…</th>
</tr>
</thead>
<tbody>
<tr>
<td>A client pays for the services of a worker with a voucher purchased from an authorised organisation that covers the worker’s pay and social security contributions.</td>
<td>— Low-skilled workers — Women</td>
<td>— Domestic work and agriculture — Well-educated, wealthier, older employers</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Casual work</strong></th>
<th>Typically employs…</th>
<th>Typically occurs in…</th>
</tr>
</thead>
<tbody>
<tr>
<td>An employer provides work to the employee according to their need for labour but is not obliged to provide regular work.</td>
<td>— Younger workers — Low-skilled workers — Women</td>
<td>— Sectors with seasonal fluctuations (such as agriculture and tourism) or with variable demand (care work) — Low-paying industries</td>
</tr>
</tbody>
</table>
## Working conditions

Some of these new employment forms deliver benefits for both employees and employers – particularly employee sharing, job sharing and interim management. Several others, however, represent a backward step in working conditions, characterised by job and income insecurity, unpredictable hours and low levels of social protection.

In many, what was traditionally the responsibility of employers is now being shifted back on workers, such as training and health and safety. The workforces employed under these new contractual forms are often fragmented and workers isolated, which makes it difficult for them to organise as a group and be represented.

<table>
<thead>
<tr>
<th>Employee sharing</th>
<th><strong>Benefits</strong></th>
<th><strong>Downsides</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Interim management</td>
<td>Combine enhanced flexibility for workers with a good level of job security</td>
<td>Risk that workers are less well embedded in the organisational structures and communication flows of the participating companies – may result in poor working relationships with management and co-workers and less representation of their interests</td>
</tr>
<tr>
<td>Job sharing</td>
<td>Offers some flexibility, autonomy and empowerment</td>
<td>Risk of work intensification, greater stress and increased working time</td>
</tr>
<tr>
<td>ICT-based mobile work</td>
<td></td>
<td>Blurring of the boundaries between work and private life May outsource traditional employer responsibilities, such as health and safety protection, to workers</td>
</tr>
<tr>
<td>Collaborative employment</td>
<td>Diversity may enrich work</td>
<td>Job and income insecurity</td>
</tr>
<tr>
<td>Portfolio work</td>
<td>Enhances the workers’ autonomy, increasing flexibility and work–life balance</td>
<td>Low level of social protection</td>
</tr>
<tr>
<td>Crowd employment</td>
<td></td>
<td>High levels of competition and the pressure to take on any task offered</td>
</tr>
<tr>
<td>Voucher-based work</td>
<td>Benefits</td>
<td>Downsides</td>
</tr>
<tr>
<td>--------------------</td>
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</tr>
<tr>
<td></td>
<td>Offers workers the opportunity to work legally, better social protection and perhaps better pay</td>
<td>Some job insecurity, social and professional isolation, and limited access to HR measures and career development</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Casual work</th>
<th>Benefits</th>
<th>Downsides</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>The high level of flexibility might benefit some workers, but for most it is too fragmented and unpredictable, and they would prefer more continuity</td>
<td>Low income, job insecurity, poor social protection and little or no access to HR benefits</td>
</tr>
</tbody>
</table>

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### Job creation in SMEs

The employment landscape in 2015 looked quite different from its pre-crisis state; many jobs have been lost permanently, and the economy continues to shift towards service activities. Maintaining the employment recovery means looking for new, sustainable sources of employment. On the question of potential future engines of job creation, attention usually turns towards examining sectors that promise future growth, such as the environmental sector, knowledge-intensive services and personal care. But looking at employment creation from the perspective of company size might also prove profitable.

Small and medium-sized enterprises (SMEs) already provide two-thirds of jobs in the EU, and some have the potential to create more, with the right support. The SME population is vast – comprising over 20 million businesses – and diverse, and not all contribute equally to employment growth. One-person enterprises and family businesses, for instance, are less likely to create jobs than other types of SME, whereas born globals – start-ups that from inception engage intensively in international trade – are particularly dynamic job creators.

### Features of job-creating SMEs

A bundle of factors determines whether an SME will create jobs, some relating to the company itself, others to the economic and institutional environment in which it operates. The individual internal and external elements are at least partly interrelated and hence can influence each other. The strength of the influence and whether it is a driver or an obstacle depends on the individual company and the framework conditions in which it operates.

**Internal factors**

Job-creating SMEs tend to:

- be young, no more than five years in existence;
- be innovative in the products they produce, the services they offer or the processes they use;
- operate internationally;
- be based in urban areas;
- be competitive and perform well due to sufficient market demand for their products or services;
- have an active growth strategy and the necessary company structure and resources to implement it;
- have the management skills and innovation and internationalisation competences to put their strategy into operation;
- have sufficient access to finance and apply diversified funding strategies;
- be attractive to potential employees in spite of competition from other companies;
- be run by an owner–manager who is motivated to grow the business and willing to take risks.
External factors
As well as having the right internal constellation of job-creation drivers, SMEs need to be supported by:

- a macroeconomic environment that generates sufficient demand;
- a level of competition from large multinationals and the shadow economy that the SME can handle;
- business and labour legislation that is not onerous;
- bearable labour costs and taxation;
- a positive image of entrepreneurship, where the potential for failure is accepted and second chances are granted;
- effective public administration and public support structures;
- access to external finance (not limited to bank credit);
- a labour market with workers possessing the necessary skills.

The combination of factors that determine the job creation potential of SMEs highlights the need for comprehensive public support packages. At the same time, the diversity of this population demands tailor-made measures for the various SME types to suit their characteristics and needs.

Figure 5: Internal and external factors influencing SME job creation
Europe needs to produce more entrepreneurs as part of its efforts to bounce back from the economic doldrums and hold its place in a global economy. In the words of the European Commission’s Entrepreneurship 2020 Action Plan, ‘Entrepreneurship is a powerful driver of economic growth and job creation: it creates new companies and jobs, opens up new markets, and nurtures new skills and capabilities’.

The plan mentions youth entrepreneurship as a specific area for action, and it is among the young where the seeds of entrepreneurialism need to be sown. Encouraging and enabling young people to start their own enterprises might, in parallel, contribute to tackling the high structural unemployment in this population, which rocketed during the crisis.

Few young people are self-employed – just 6.5% of people between the ages of 15 and 29. This is not surprising as people typically start a business when they are older, after having been an employee for some years and having gained professional experience. Nevertheless there are indications that the level of young entrepreneurs could be higher. Half of young people surveyed in a 2012 Flash Eurobarometer considered a career as an entrepreneur to be desirable. And there are considerable differences in the extent of youth self-employment across Member States: 16% of young Greek and 15% of young Italian workers are self-employed, compared to less than 4% in Austria, Denmark, Germany and Luxembourg.

While more entrepreneurship in the young generation is desirable, it is not a career path that most are cut out for – it requires the right skills, values and attitudes, which are often quite different from those held by employees. The 2008 European Values Survey, for instance, shows statistically significant differences in work values between young employees and the young self-employed (Figure 6). A higher percentage of young self-employed people think that it is significantly more important in a job to have the opportunity to use one’s initiative and to achieve something, to have a say in important decisions and to match one’s abilities. Conversely, a lower percentage considers that working with pleasant people and having good job security are key aspects of a job.
A number of initiatives have been implemented in recent years in different Member States in an attempt to nurture entrepreneurialism among the young. These projects tackle the challenge from one or more of three main angles: fostering an entrepreneurial mindset; providing information and guidance; and providing financial support. Some examples are given below.

**Fostering an entrepreneurial mindset**
The Valnalón Educa initiative in Spain sets out to redress the lack of entrepreneurial initiative among young people in Asturias, an area traditionally marked by a dependency habit instilled by a previous era of heavy industrialisation. The initiative integrates entrepreneurial training into regular curricula at all levels of the education system, with the aim of developing entrepreneurial competences among young people, resulting ultimately in the creation of an ‘entrepreneurial ecosystem’. It involves cooperative learning and project work where students play an independent and participative role: they work in teams, analyse information, make decisions and reproduce ‘real situations’.

**Providing information and guidance**
Startup Sauna Foundation in Finland helps early-stage start-ups founded by young people to take the next step, be it entering certain markets, raising funding, or understanding better the target market and customer needs. The project’s five-week accelerator programme teams up promising start-ups from Nordic countries created by young people (usually graduates) with experienced coaches, including serial entrepreneurs, investors and other industry experts, to work on the development of their business idea. The best are taken to Silicon Valley and New York after the accelerator programme, both to establish useful contacts and to learn how to establish a business in the US.

**Providing financial support**
The TÁMOP 2.3.6 programme in Hungary provides a one-off grant of HUF 3 million (€9,500 as at 30 March 2016) to selected young people with a good business idea who have completed an initial training programme. As a precondition, only those young entrepreneurs who have an approved business plan and the financial capacity to self finance at least 10% of the enterprise capital can participate. The programme is largely financed by the European Social Fund, which contributes 85% of the total funding, while the government contributes the remaining 15%. The total budget of the programme is HUF 6.94 billion (€22 million), the largest public budget for supporting youth entrepreneurship in Hungary’s recent history.
Employment in Europe is on a slow but clear growth trajectory after a long period of job destruction and stagnation, but more can be done to promote job creation. Eurofound’s research shows that specific business types in the SME community have the potential to create more employment, and promoting the development of entrepreneurs could not only contribute to employment in the short term, but nurture an entrepreneurial culture in the long term.

Labour markets have become more polarised between high-skilled, high-paying jobs and low-skilled, low-paying jobs. Atypical work is growing for reasons such as the flexible employment requirements of the growing service sector, labour market deregulation and the working time choices of women and older workers. Globalisation and technology are also transforming the way people work. New forms of employment are emerging such as crowd employment and the sharing economy. While they are diverse in their characteristics and the employment relationships, all may increase flexibility for employers, employees or both but may also fall between the gaps of existing regulatory protections, raising the need for policy intervention.

Topics in this subject area are discussed in the spotlight Employment – Jobs in Europe.
Eurofound is building media partnerships to target the best channels for disseminating its messages. Blog contributions to the online journal Social Europe in 2015 included:

- An EU perspective on wage inequality
- Do benefits reach those who are entitled to them?
- Early childhood care: Getting it right from the start
- From Val Duchesse to Riga: How to relaunch social dialogue?
- How to improve company performance by investing in people
- Job polarisation in Europe: Are mid-skilled jobs disappearing?
- Labour mobility within the EU: The real picture
- New forms of employment offer both benefits and risks
- The Youth Guarantee one year on: Lessons learned
- Young entrepreneurs in Europe: Values, attitudes and policies
- ‘Welfare tourism’ – An unproven case

The Agency worked with news portal EurActiv to publicise its findings on the European Company Survey in March 2015.

The online policy broadcaster ViEUws interviewed Eurofound researchers on the topics of:

- the social dimension of EU mobility
- youth entrepreneurship
Sources

ERM annual report 2015: Job creation in SMEs

Upgrading or polarisation? Long-term and global shifts in the employment structure: European Jobs Monitor 2015

Youth entrepreneurship in Europe: Values, attitudes, policies

New forms of employment
Win–win workplaces achieve the ideal of high levels of workplace well-being and high company performance. These types of organisation are the model for the workplaces of the future, building growth and competitiveness and optimising work for employees. Increasing evidence suggests that the right mix of workplace practices can make best use of organisations’ human capital, and it is this that is linked to win–win outcomes. What constitutes the ‘right mix’ is elusive, but a core component usually found is workplace innovations and practices that directly involve employees in decision-making.

Open and constructive social dialogue is an important tool for exploring and implementing workplace innovations. Social dialogue is functioning well within many organisations, but it frayed under the exigencies of economic crisis, and the collective dimension at national and sector levels fragmented in many cases. EU leaders, however, recognise that the social partners have a critical role in shaping EU policy to achieve growth and in 2015 sought to relaunch social dialogue at EU level.
Event

The main report of Eurofound’s third European Company Survey was launched in March 2015 at a conference in Riga, organised jointly with the Latvian Presidency and the Saeima (Latvian parliament). The high-level event, which included the participation of Commission Vice-President Valdis Dombrovskis and the Latvian Minister of Welfare Uldis Augulis, brought together representatives of national and EU-level social partners, national governments and the European institutions, as well as company managers, workers’ representatives, academic experts and representatives from the world of business. It provided an opportunity for lively discussions on the survey results, particularly as much recent debate has centred on workplace innovation, which stresses the importance of tapping into employee knowledge to achieve win–win outcomes benefiting both companies and employees.

European Company Survey

The third European Company Survey (ECS) was carried out across 32 countries in Europe in spring 2013. Interviews were conducted with management representatives in 30,000 establishments and employee representatives in 9,000. The main topics covered were work organisation, workplace innovation, employee participation and social dialogue.

The main finding from the survey is that people-centred workplaces perform better. In arriving at this conclusion, the analysis examined workplace practices in the areas of work organisation, human resource management and employee participation in order to discover what types of workplaces can be described as win–win. Five types of workplace were identified (see Figure 7). Of these, just one scores highly on both workplace well-being and company performance (red circle in Figure 7). This is the type of workplace where decision-making on daily tasks is shared between managers and employees, where the internal organisation is moderately structured, and where extensive practices are in place for direct employee participation – 12% of workplaces are of this type.
Employee participation

The results of the third ECS highlight the role that enhanced direct employee participation – that is, the direct interaction between employer and employees in decision-making processes – can play in company performance. By valuing employee contributions and enabling them to bring in new ideas, the company taps into and benefits from a much wider pool of knowledge and experience.

These findings led Eurofound to explore in greater detail the role of employee participation in companies, in particular what combinations of practices lead to the best outcomes for employers and employees. As well as direct participation, the research took in indirect employee participation – the involvement of employee representatives such as works councils and trade unions in decision-making.

Classifying approaches

The analysis identified five approaches to direct employee participation and four approaches to indirect employee participation, and ranked them according to comprehensiveness (illustrated on pp. 30–31).
Employee participation

Direct

10%
Limited
Information is disseminated through regular meetings between employees and their line manager and through various media. Other forms of employee participation are practised rarely.

18%
Conventional
Communication between employees and management takes place mainly in conventional interactions – regular meetings between employees and their line managers, or regular staff meetings open to all employees.

20%
On-demand
Management–employee communication happens in traditional settings (regular meetings between employees and their line manager, and dissemination of information through various media). When necessary, communication between employees and management takes place in ad-hoc groups.

4%
Consultative
Traditional communication (regular meetings between employees and their line manager and dissemination of information through various media is combined with a strong emphasis on bottom-up communication through suggestion schemes and employee surveys.

48%
Extensive
Practices facilitate communication between management and employees: employees are involved through both top-down information as well as bottom-up consultation (gathering ideas and input from employees). All the identified means of interaction with employees are deployed.
Indirect

13%
Limited
Supply of information, especially strategic information, to employee representatives is relatively limited and its quality is low. Resources available to employee representatives are relatively low – training opportunities particularly.

11%
Resource-oriented
Employee representatives receive relatively little information either about matters related to employee interests or company strategy. Training and external funding resources available to employee representatives are relatively high, while time available for their representation duties is relatively low.

29%
Information-oriented
Employee representatives are fully provided with high-quality information. They have relatively limited access to funding for external advice and training, however, but their time available for employee representation duties is relatively high.

48%
Extensive
Employee representatives are provided with high-quality information related both to employee interests and company strategy. They are also provided with resources for training and external advice, and are allocated time to carry out their representation duties.
The next question is whether companies with different approaches to direct and indirect employee participation show differences in workplace well-being and company performance.

The analysis found that extensive direct participation and, to a lesser extent, conventional direct participation are associated with better workplace well-being, while well-being is worse in those with the least participation. In addition, workplaces with extensive indirect participation and those focusing on providing information are more likely to report higher levels of workplace well-being.

The results on company performance were similar: in workplaces where direct employee participation is extensive, good performance is more frequently reported, while those characterised by limited direct participation perform more poorly. For indirect employee participation practices, workplaces that take an information-oriented approach more often report good performance.

How does participation relate to well-being and performance?

A final step in the analysis was to see whether any class of direct or indirect employee participation was associated with a win–win situation: positive outcomes on both workplace well-being and company performance. On this point, the analysis found that workplaces where direct employee participation is extensive are more likely to achieve a win–win.

There were no significant differences between approaches to indirect employee participation, with one important exception: win–win outcomes occur significantly less often in workplaces that are resource-oriented, where employee representatives have plenty of resources but no information, than in those that are information-oriented.

Achieving win–win
Workplace innovation

Innovation is a pathway to new economic activities and enhanced competitiveness, and so is a driver of growth and jobs. The scope of the term has come to be extended beyond the development of new products and processes, and the concept of workplace innovation is occupying a growing importance in the discourse around building workplaces of the future.

Workplace innovation is the development and implementation of a practice or combination of practices addressing the structure or culture of a company to enable employees to participate in organisational change and renewal. The aim is to improve quality of work and organisational performance.

In 2015, Eurofound undertook a project to discover more about workplace innovation in companies – why they embark on it, how they approach it, what types of practices they pursue and the outcomes they achieve. Interviews were conducted with 51 companies across 16 economic sectors in different Member States that had responded to the third ECS and which had shown a high degree of implementation of workplace innovation practices.

Three interviews were held in each company – wherever possible, with a manager (mostly a director or human resources manager), a group of employees and an employee representative.

Structural and cultural practices

There is a distinction in workplace innovation between structural practices and cultural practices. Structural practices typically include the redesign of jobs, tasks or organisational structure and often enhance the autonomy of employees. An example from the project is the introduction of working times based on trust in a Germany chemical company. Employees can work at any time they wish, acting responsibly without any formal control by management or line managers. While they have to align their time arrangements with their team’s needs and respect demand peaks, no other constraints exist.

Cultural innovations focus on behaviour: they include dialogue and participatory and communication activities to enhance the engagement of employees and employee representatives. An example is a ‘loyalty day’ initiated in a Lithuanian company to enhance communication and knowledge-sharing between managers and line workers. Managers visit workers at their work site and gather information about specific processes and possible issues.

Paths to innovation

The companies examined by the project have taken a number of paths to implementing workplace innovation. All implemented a combination of practices, although this does not mean that they had laid out coherent programmes before undertaking the innovation. In some cases, a company developed practices over a period of years. And almost all companies combined workplace innovation with human resource practices relating, for example, to personnel recruitment, training, competency development, performance appraisal, working conditions, remuneration and so on.

Several factors related to the companies and their innovation practices were examined to decipher which combinations of these might be associated with substantial workplace innovation. The research found that, among the factors examined, none was a necessary condition for workplace innovation, but neither was one factor alone sufficient – there was always more than one. Five specific combinations were found to result in workplace innovation. For instance, in two combinations, the innovation was bottom-up, initiated by employees, but in another combination, it was top-down, initiated by management, but employees participated in implementation. The findings imply that people in organisations – managers and employees – have a certain freedom to choose their own solutions. They also show that there cannot be a one-size-fits-all model for workplace innovation.
Reasons for pursuing innovation

Although companies chose varying paths to workplace innovation, their reasons for doing so reflect much commonality. The interviews with managers, employees and employee representatives showed that economic motives predominated, as Figure 8 illustrates. The most prominent reason, according to all three groups, is to improve efficiency. The second most significant motive, again as agreed among all interviewees, is to gain competitive advantage, while the third is to enhance innovative capability.

Figure 8: Reasons for workplace innovation

Source: Eurofound
Positive outcomes

The most important outcome of workplace innovation for the organisation, according to managers, employees and employee representatives, was employee engagement (Figure 9). This was followed by long-term sustainability and, at some distance, high performance, better customer focus, efficiency and profitability. For employee representatives, other notable impacts were establishing good work and more positive employment relations. Surprisingly, employees ranked establishing good work lower than efficiency, profitability and high performance.

The study made clear that in these companies there is a high level of agreement between management, employees and employee representatives on the motives for introducing workplace innovations and their impacts.

**Figure 9: Impact of workplace innovation**

Employee engagement
Longer-term sustainability
High performance
Better customer focus
Establishing good work
Efficiency
Profitability
Enabling culture
More positive employment relations
Resilience

Source: Eurofound
Policy message: Win–win practices

The success of companies does not depend solely on their capabilities for product or process innovation; it is also shaped by the design and organisation of work and the extent to which organisations are innovative in this regard. At the core of workplace innovation is building an environment where employees participate in operational and strategic decision-making, and can contribute to organisational change and renewal, so improving economic performance and the quality of working life. Nearly half of European workplaces have extensive practices for employee participation in organisational decision-making; it is to be hoped that more will follow suit.

*More topics in this subject area are discussed in Eurofound’s Win–win practices spotlight.*
Social dialogue

Big steps were taken in 2015 to revitalise social dialogue at EU level. At a high-level conference in Brussels in March, the first organised by the Juncker Commission, the Commission affirmed its commitment to strengthening and deepening dialogue with the social partners in order to better address the economic and social challenges Europe is facing.

At the event, President of the European Parliament Martin Schulz expressed his dissatisfaction with the current level of social partner input to EU economic governance and emphasised that ‘to ensure a social market economy in Europe, we need a European social dialogue on the European level’.

Event

Earlier in the year, Eurofound Director Juan Menéndez-Valdés delivered a keynote speech at a European Economic and Social Committee (EESC) conference, ‘The future of the European social dialogue’. The event gathered participants to consider the role of the social partners in EU economic governance and how to improve the structure and substance of social dialogue. Mr Menéndez-Valdés outlined steps that need to be taken to strengthen social dialogue, including greater autonomy for the social partners, greater trust between them, more institutional support and more involvement in the European Semester.
Wage-setting and pay moderation

Social dialogue is entwined with EU economic governance insofar as the latter places much focus on the appropriate functioning of national wage-setting systems. Under governance rules, Member States are expected to achieve pay outcomes favourable to employment growth, macroeconomic stability and economic competitiveness. Specifically, it places an onus on national wage-bargaining regimes to deliver wage moderation so that wage increases are aligned to rises in productivity. But wage-bargaining takes many configurations across Europe, so the question arises, which configuration is likely to yield wage moderation?

Eurofound analysed several features of national wage-bargaining regimes to establish which are key in influencing pay outcomes; the research found two:

- level of wage bargaining – the level at which agreements are made, ranging from national (centralised) to sector (intermediate) to company (decentralised) levels;
- type of coordination – the degree to which bargaining is actively coordinated across the economy by trade union and employer organisations or, more widely, by the organisational structures for wage bargaining, the aim being to manage the impact of bargaining outcomes on the national economy.

The research found that wage moderation occurs with increasing centralisation of bargaining, and that all types of coordination result in significantly lower average pay outcomes compared with uncoordinated wage bargaining. Uncoordinated bargaining at company level, which does not follow an objective of achieving high levels of employment in the economy, results in higher pay outcomes on average.

Hence, contrary to the common assumption that decentralised bargaining leads to better adjustment to productivity, Eurofound’s evidence is that wage growth exceeds productivity growth to a greater extent in decentralised regimes than in regimes with higher degrees of coordination and levels of centralisation.

Developments 2014
Each year Eurofound gathers information from its network of European correspondents on developments in Member States on key topics in industrial relations over the previous year.

Pay
Pay developments were generally favourable in 2014 in many Member States, for both collectively agreed wages as well as agreed increases to statutory minimum wages, although growth has not returned to pre-crisis levels. In some countries, such as Belgium, Spain, and the UK, even the employers argued for more substantial increases in pay at national level or in sectors where pay increases were restrained for different reasons.

Eurofound collected data on developments in collectively agreed pay from 14 Member States. In eight, the 2014 increases were lower than in 2013, while four countries saw similar increases in both years. In Germany and the UK, increases were considerably higher in 2014 than in the previous year. In real terms, 12 out of 14 countries saw positive real wage increases in 2014. Finland was the only country where collectively agreed pay growth did not keep up with the growth in prices. In some other Member States, minimum wages remained frozen or virtually unchanged because of low rates of inflation.

Industrial action
The year 2014 was the calmest recorded since 1990 in terms of working days lost, with 24 working days lost per 1,000 employees. The most recent peak in industrial action was in 2010, with 70 days not worked per 1,000 employees.

Collective bargaining in disarray
Trends in collective bargaining are moving in a direction contrary to the goal of wage restraint, based on the findings of the previous discussion.

Bargaining level
Bargaining competences have been moving to lower levels since the 1990s, a process that has accelerated since 2008. Up to that point, there were just eight countries – the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland and the UK – where collective bargaining took place predominantly at company level. There has been a marked shift, however, towards decentralisation to company level in countries where bargaining used to take place predominantly at central or intermediate levels.
The process of decentralisation has been reinforced by increasing freedom of employers to deviate from the provisions of a collective agreement. Deviation practices became much more widespread in the EU after 2008, and legal reforms to facilitate deviation have intensified.

<table>
<thead>
<tr>
<th>Bargaining system</th>
<th>Countries</th>
<th>Change in the predominant level of bargaining</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Predominantly central or cross-industry level</strong></td>
<td>Belgium, Finland, Ireland (until 2009), Slovenia (until 2009)</td>
<td>Ireland Change towards company level as the predominant level of bargaining (2009)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Finland Change towards industry or sector level in the period 2007–2011, followed by a centralisation of bargaining</td>
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<td></td>
<td></td>
<td>Slovenia Change towards sector level (2009)</td>
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<td></td>
<td><strong>General trend</strong> Company level has stronger role</td>
</tr>
<tr>
<td><strong>Intermediate or alternating between central and industry bargaining</strong></td>
<td>Greece (until 2010)</td>
<td>Change towards stronger influence of company bargaining in an intermediate sector- or company-level system (2010)</td>
</tr>
<tr>
<td><strong>Predominantly sector or industry level</strong></td>
<td>Austria, Denmark, France, Germany, Italy, Netherlands, Romania (until 2011), Slovenia (since 2009), Spain, Sweden</td>
<td>Romania Change towards company level (2011)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Portugal Change towards stronger influence of company-level bargaining in an intermediate sector- or company-level system (2012)</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>General trend</strong> Company level has stronger role</td>
</tr>
<tr>
<td><strong>Intermediate or alternating between sector and company bargaining</strong></td>
<td>Bulgaria, Croatia, Cyprus, Greece (since 2010), Luxembourg, Portugal (since 2012), Slovakia</td>
<td>No change, but strong role of company level as a general feature</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Two countries have joined this model since 2008</td>
</tr>
<tr>
<td><strong>Predominantly local or company level</strong></td>
<td>Czech Republic, Estonia, Hungary, Ireland (since 2009), Latvia, Lithuania, Malta, Poland, Romania (since 2011), UK</td>
<td>No change</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Two countries have joined this model since 2008</td>
</tr>
</tbody>
</table>
**Coordination**

Bargaining coordination since 2008 has weakened, despite a potentially increasing need for coordination due to decentralisation. A number of countries where coordination has traditionally been strong have experienced a weakening of coordination in certain sectors (such as the public service in Germany) or temporarily (Finland). Similar trends are reported from France and Italy. In Spain, coordination has been relaxed following a reform in 2012 that decentralises to company level by allowing the lower level of bargaining not to apply the higher collective agreement. There has also been a weakening of bargaining coordination in countries where coordination has been a less significant force. Since the late 1990s, there has been no single national example where collective bargaining coordination has been strengthened.

**Figure 10: Bargaining coordination in Member States**

Other trends

Several other trends are contributing to the erosion of the role of collective bargaining:

- falling membership density: in no country have trade union density rates increased since 1997 and in just a few (Denmark, Norway, Portugal and Spain) have employer organisations reported an increase in membership density;
- fewer pacts or agreements with governments;
- falling collective bargaining coverage: the number of Member States that have collective bargaining coverage of less than 40% has grown from 6 in 1999 to 11 in 2013;
- less frequent extension of collective bargaining agreements to non-unionised workers and to workers in companies outside the agreement.

**Two flavours**

As a result of the transformations that collective bargaining has undergone since the end of the 1990s, the collective bargaining landscape in the EU today features two distinct groups:

- A relatively small core of countries in the Nordic and western-continental regions where collective bargaining still functions as an important and institutionalised component of the welfare system, having a significant influence on the distribution of income and wealth, social justice and improvements in employment and working conditions. Decentralisation processes and a stronger orientation of collective bargaining outcomes towards productivity and competitiveness are, by and large, implemented in a consensual and organised way, shaped by central coordination, particularly at sector level.

- A larger group of countries where the non-wage functions of collective bargaining have traditionally been limited, either because of low union and employer organisational strength and a weak influence of collective bargaining above company level or because of abrupt changes and disruptions within the key institutional settings of collective bargaining. It is in this group where the future role of collective bargaining is much more under stress, vague and unclear.

**Developments 2014**

**Working time**

The average collectively agreed weekly working time in the EU was 38.1 hours, which did not change since 2013. In both years, the working week also remained, on average, 30 minutes shorter in the EU15 and more than 90 minutes longer in the 13 newer Member States. The actual working week was 39.5 hours in 2014, the same as in 2013; this was about 1 hour and 24 minutes more than the average agreed working hours.

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*Figure 11: Two flavours of collective bargaining in Europe*

- Collective bargaining influential in social and economic policy
- Collective bargaining focused mainly on wage-setting

*Source: Eurofound*
Policy message: Social dialogue

Even as the Commission has given a fresh impetus to strengthening the input of social dialogue in policymaking at EU level, one of its core functions – collective bargaining – has been fragmenting at Member State level. The effective functioning of Europe’s social market economy necessitates a reaffirmation of the value of collective bargaining.

The evidence from Eurofound identifies two paths along which collective bargaining is evolving. Along one path, the role of collective bargaining is narrowing to a mechanism for setting wages within a corridor determined by firm performance, competitiveness and productivity. The other is a wider path where the role of collective bargaining encompasses social integration, equality and fairness, and influences employment and working conditions, as well as having a subsidiary role in regard to income and wealth distribution in society more broadly.

Since the late 1990s, there has been a growing imbalance between the two, to the detriment of the wider and more solidarity-oriented dimension. The erosion of the wider dimension of collective bargaining across multiple fronts may come to challenge fair and inclusive labour markets and social conditions.

Eurofound’s evidence does not support the assumption that decentralised bargaining leads to better adjustment to productivity. Our findings suggest that decentralised approaches to wage-setting are unlikely to yield wage moderation and, concomitantly, to secure high levels of employment, competitiveness and macroeconomic stability.

More information on Eurofound’s industrial relations coverage is available in the spotlight Social dialogue in Europe.

Event

The Ministers for Employment and Social Affairs of Member States gathered at an informal meeting of the Employment, Social Policy, Health and Consumer Affairs Council (EPSCO) in Riga in April 2015 to again discuss ways to strengthen the role of social dialogue in European economic governance. An overview of Eurofound’s recent research work on social dialogue was presented to the ministers, outlining the steps that might lead towards a true and responsible social dialogue in Europe.

Eurofound also took part in a forum of the social partners in March, organised under the Latvian Presidency, the main goal of which was for Member States and social partners’ organisations to exchange ideas on the role of social dialogue in ensuring economic growth, the country’s competitiveness and the creation of quality jobs, and on strengthening social dialogue and the challenges faced in the EU. Around 150 representatives from employers’ organisations and trade unions, the EU social partners’ organisations, the National Trilateral Cooperation Council and the Presidency took part.
Collaborating with sister Agencies

Eurofound has signed collaboration agreements or memorandums of understanding with a number of other EU Agencies with which it shares common areas of interest and cooperation. It continued to work with these Agencies during 2015.

- **European Agency for Health and Safety at Work (EU-OSHA):** The Agencies shared information on analytical work (including methodologies), ongoing research, observatories and surveys over the course of 2015. Eurofound representatives participate in EU-OSHA events as appropriate and vice versa. Eurofound is currently working on a chapter for an EU-OSHA report on older workers.

- **European Centre for the Development of Vocational Training (Cedefop):** In 2015, Eurofound and Cedefop held a joint seminar on work organisation and workplace learning. A similar seminar on the subject of NEETs is planned for 2016. Both Agencies are also looking into conducting a joint company survey and cooperating on Eurofound’s ‘Future of manufacturing’ project, in particular its apprenticeship strand, to identify synergies and complementarities.

- **European Institute for Gender Equality (EIGE):** Eurofound continued to support the development of EIGE’s Gender Equality Index. Variables from the EWCS used in the Index were maintained in the sixth wave of the survey. For the violence domain in the Index, EIGE took into account the results of Eurofound’s study on harassment and violence at work. The two Agencies also cooperated on Eurofound’s project on working time patterns and EIGE’s project on the economic benefits of gender equality.

- **European Training Foundation (ETF):** The Agencies work together in the area of entrepreneurial learning and enterprise skills, sharing information and participating in each other’s workshops and meetings. In 2016, Eurofound will share the results of its study on the long-term unemployment of young people with ETF, as well as its analysis of the ECS, into which ETF will input its knowledge of EU candidate countries as a background to the analysis.

- **Fundamental Rights Agency (FRA):** The Agencies exchange information on the development of their surveys and cooperate on several topics where both agencies share an interest, including people with disabilities, integration of migrants, and fraudulent forms of contracting work.

Sources

*Third European Company Survey – Overview report: Workplace practices – Patterns, performance and well-being*

*Third European Company Survey – Direct and indirect employee participation*

*Third European Company Survey – Workplace innovation in European companies*

*Pay in Europe in different wage-bargaining regimes*

*Collective bargaining in Europe in the 21st century*

*Developments in working life in Europe: EurWORK annual review 2014*
Eurofound at 40
Eurofound celebrated the 40th anniversary of its foundation in 2015. The idea for an agency to provide knowledge on social- and work-related issues was sown in October 1972 at a summit of the European Community’s nine heads of state or government in Paris. At this, it was agreed that ‘appropriate Community action should be built up on an inter-disciplinary scientific basis and at the same time that employers and workers should be associated in the action undertaken’, to tackle ‘the problems presented by the improvement of living and working conditions in modern society’.

The European Foundation for the Improvement of Living and Working Conditions, or Eurofound, was subsequently set up on 26 May 1975 by Council Regulation (EEC) No. 1365/75 to ‘contribute to the planning and establishment of better living and working conditions through action designed to increase and disseminate knowledge likely to assist this development’. Four decades on, in a European Union now covering 28 countries and 520 million people, Eurofound’s purpose continues to be to help policymakers shape a better future for Europe’s citizens.

Eurofound used the anniversary year as an opportunity to deepen its links with its core stakeholders, the social partners, governments and institutions in a series of initiatives and events throughout the year.

**Ambassadors’ visit**
On 13 April, Eurofound hosted a visit of nine ambassadors to Ireland – representing the Czech Republic, Estonia, Germany, Italy, Latvia, Poland, Slovakia, Spain and Sweden – as well as an additional six diplomatic representatives from Austria, Finland, France, Hungary, the Netherlands and Portugal and a representative of the Irish government.

The visitors heard presentations from Eurofound Director Juan Menéndez-Valdés, Deputy Director Erika Mezger and senior staff on current research findings and issues high on the political agendas at EU level and in the 16 EU Member States represented on the day. The presentations were followed by an open and frank exchange of comments, ideas and further suggestions of collaboration.

The visitors also met with Eurofound’s country representatives, staff members charged with following the social, economic and political development of one particular country.

**40th anniversary exhibition in DG EMPL**
In a joint event with the European Commission’s Directorate General for Employment, Social Affairs and Inclusion (DG EMPL) on 26 May – the exact day the Agency was established 40 years previously – Eurofound celebrated its four decades of active contribution to improving the quality of life and working conditions of all Europeans.

Michel Servoz, Director-General of DG EMPL, and Juan Menéndez-Valdés opened a specially designed 40-year anniversary exhibition in Brussels, Belgium to mark the occasion.
International Trade Union House
Eurofound marked the anniversary with the European Trade Union Confederation (ETUC) at its headquarters in International Trade Union House in Brussels on 9 September.

At the event, Juan Menéndez-Valdés and ETUC Deputy General Secretary Józef Niemiec spoke about the shared objectives of Eurofound and the trade union movement to improve working conditions in Europe. Mr Menéndez-Valdés emphasised that although Europe had changed significantly over the past four decades, common challenges remain in improving the lives of citizens.

Commissioner Thyssen’s visit to Eurofound
Marianne Thyssen, European Commissioner for Employment, Social Affairs, Skills and Labour Mobility, visited Eurofound on 12–13 November for the first time since taking office in 2014. The visit focused on a discussion on labour mobility, the changing nature of work and the role of social dialogue.

The Commissioner subsequently delivered a keynote speech at a celebration of the anniversary in Dublin Castle, an event that brought together current and former Eurofound staff, directors and deputy directors, as well as representatives of Eurofound’s Governing Board, advisory committees and collaborators. The event was also attended by Ged Nash, the then Irish Minister of State for Business and Innovation, ambassadors of EU Member States to Ireland, Members of the European Parliament, and Irish government officials.

Joint Eurofound–Cedefop event
In November, Eurofound, together with sister Agency Cedefop and the EESC held a joint seminar to present recent findings and initiatives on work organisation and workplace learning, including the results of Eurofound’s third European Company Survey and Cedefop’s European Skills and Jobs Survey.

The event brought together 200 representatives from national and European institutions, enterprises, trade unions, civil society and academia to explore and debate work organisation and skill development practices that benefit both employers and employees.

Cedefop also celebrated its 40th anniversary in 2015, and its field of interest, vocational training, intersects with Eurofound’s research on labour markets. Structurally the Agencies have much in common, both being tripartite organisations with a governing structure of employers, trade unions and governments.
High levels of employment and good economic performance of companies are not achieved by compromising on job quality: good working conditions draw people into the labour market and build a strong and skilled workforce. Successive research findings from Eurofound and other institutions have borne this out. Nevertheless, concern has been raised over whether the forces of globalisation and market liberalisation put a downward pressure on job quality, especially in the context of the economic crisis.

In 2015, with the release of initial results from Eurofound’s sixth European Working Conditions Survey (EWCS), we were able to assess the state of working conditions in Europe as the recovery takes hold. There has been no across-the-board erosion of working conditions – in fact, some improvements stand out – but the picture is not unclouded. And the fact remains that poor working conditions across several measures are concentrated in specific occupations, all located towards the bottom of the skills and pay distributions. Another area of concern is the evidence of segmentation of labour markets, where two labour forces co-exist: one is subject to insecure employment contracts, low pay and poor working conditions; the other has full-time permanent contracts and enjoys the range of benefits accruing from that status.
The first findings of the EWCS were launched at a high-level conference in Luxembourg in November 2015 under the Luxembourg Presidency. The findings offer a snapshot of trends in working conditions in the EU and comparisons across the 28 EU Member States in areas ranging from work-related risks, work and gender, working time and work organisation, to developing skills at work and lifelong learning. Keynote speakers included Nicolas Schmit, Minister of Labour, Employment and the Social and Solidarity Economy, Luxembourg.

The event brought together over 100 policy makers, academics, practitioners and representatives from national authorities and the European institutions, to explore and debate changing working conditions and to identify and address areas for improvement.

Working conditions in Europe 2015

Preliminary analysis of the latest information on working conditions in Europe in 2015, from the EWCS, yielded some good news for workers. High proportions of workers are motivated, feel supported by their colleagues and are well-informed about health and safety.

- 2/3 motivated by their organisation to give their best job performance
- 71% supported by their colleagues all or most of the time
- 9/10 informed about the health and safety risks of their job
- 58% satisfied with the working time in their main paid job
Working time

The majority are also satisfied with their working time, and average working time in the EU, which has been decreasing since the first EWCS in 1991, has continued to fall: 41 hours in 1991, 38 in 2010 and 36 in 2015. The story here is not uniformly upbeat, however. Atypical working hours, which for many are disruptive to home life and a source of stress, are a feature of working life for a significant proportion of workers. More than half of all workers work at least one Saturday per month, while 30% work at least one Sunday per month, an increase on the figure of 26% in 2010. One-third work long days of 10 hours or more at least once a month, and one-fifth do shift work or work at night.

Work intensity

Stress is also caused by the nature of work, of course, and the EWCS looks at sources of stress at work such as working to tight deadlines, working at high speed, frequent disruptive interruptions or simply lack of time to do the job. For a significant proportion of workers, this type of work is commonplace. Workers may also lack control over their pace of work: for two-thirds, their pace of work is set by the people they are serving, such as customers, clients or pupils.

Spillover of work

Work encroaches on home life for many – nearly half of workers reported having worked in their free time in the previous year, and for 1 in 10 it is a weekly occurrence.

- 36% work to tight deadlines
- 10% never have enough time to do their jobs
- 2/3 have their work pace set by others

Work in their free time to meet work demands.

- 45% in the last year
- 13% several times in a month
- 7% several times weekly
- 3% daily
Age disparities

Both young and older workers encounter disadvantages at work, although the disadvantages are distinct depending on age group; they also benefit from different advantages.

Across Europe the workforce is ageing faster than the general population.

- **Younger workers** are more likely to carry out monotonous tasks.
- **Older employees** are more likely to be given work with unforeseen problems.
- **Younger employees** are more likely to learn new skills at work than older workers.
- **The proportion of training paid for by the employers has increased since 2005.**
- **Workers over 50** report lower prospects for career advancement and inadequate training provisions.

Making work sustainable over the life course

In 2015, Eurofound published a paper presenting a working definition of ‘sustainable work over the life course’ to provide a framework for its work in this area. This sets out the case for aiming to achieve working and living conditions that support people to engage and remain in work over working lives that will be extended for many as a consequence of longer lifespans. While making work more sustainable is a good thing in itself, it also supports the economic objective of increasing employment. Work-related policies and company practices that create a workplace environment that better meets the needs of individuals over time enable workers to stay healthy and motivated to remain in the labour market until a later age. They also make the labour market accessible to people who have traditionally found it difficult to marry work with their particular life circumstances. This endeavour is supported by specific social policies outside the workplace, relating to training provision or care of dependants, for instance, which can equip people previously outside the labour force for work.
Most employees want a permanent job. Being temporary, though better than having no job, is insecure: the prospect of job searches, unemployment and a drop in income loom as the end date of the contract approaches. The temporary employee is often also excluded from the benefits that accumulate for permanent workers, such as training, opportunities to advance in one’s career and seniority pay.

Almost two-thirds of temporary EU employees say they have a temporary contract because they ‘could not find permanent employment’, according to EU-LFS data (Figure 12). More than 80% give this reason in Belgium, Cyprus, Greece, Portugal and Spain. There are other reasons for holding a temporary contract, of course. For instance, substantial numbers are employed on temporary training contracts in Austria, Denmark and Italy; in Germany, it is the main reason for holding a temporary position, reflecting the importance of internships and apprenticeships in that country.

**Figure 12: Reasons for having a temporary contract**

![Graph showing reasons for temporary contracts]

Source: EU-LFS
Trend of contraction and expansion

Despite workers’ preferences, temporary employment has been rising in many European countries for at least three decades. This is largely because employment protection legislation for standard contracts has not changed; reforms have been designed to ease the use of temporary contracts. These give employers greater flexibility in adjusting their workforces when the circumstances demand, and reduces the cost of terminating employment. Employees on a temporary contract can be let go simply by non-renewal of their contracts, and the costs may be effectively zero; it can be much more difficult and costly to terminate permanent contracts.

The number of temporary employees grew by 25% in the EU27 between 2001 and 2012, compared with an increase of 7% in permanent employees. The steady rate of growth was interrupted by the economic crash in 2008, which cut temporary employment levels dramatically as employers who moved to reduce their workforces chose the non-renewal of temporary contracts as a first line of action. In Spain, for instance, the net number of temporary employees was reduced by 1.2 million between 2008 and 2012.

But the numbers bounced back quickly following the crisis. Uncertain of economic prospects, employers who needed to recruit opted to offer temporary employment to a much greater extent than previously: between 2010 and 2012, half of new recruits were hired on temporary contracts, compared with 40% in 2002. As noted in Section 1, this situation has moderated more recently as the recovery has strengthened, and employers have increased their intake of permanent staff.

Variability across Member States

There is much variation in the proportion of employees on temporary contracts across EU countries, as Figure 13 illustrates. Over a quarter of workers were on temporary contracts in Poland, and over one-fifth in Portugal and Spain, while rates are lower than 5% in Latvia, Bulgaria, Estonia, Lithuania and Romania.

Figure 13: Temporary employment rates over time in EU27 Member States
Precariousness

An argument has been made that temporary employment can be a stepping stone into permanent work, but during the crisis between 2011 and 2012, just one in five temporary employees made that transition in the EU as a whole. A similar proportion stepped into non-employment, while the equivalent figure for permanent employees was much lower (7%).

Wage gap

Temporary employees generally receive lower wages than their permanent counterparts, on average 19% less across European countries, according to Eurofound’s analysis of data from the 2010 Structure of Earnings Survey (SES). This negative wage gap exists across all 19 EU countries covered by the SES, apart from Estonia. It tends to be wider in those countries with a higher rate of temporary employment. The gap exists even when temporary employees are compared to permanent short-tenured employees across most countries, indicating that the lower wages for temporary employees are not only due to their shorter job tenures.

There is also a negative wage gap, of 14%, related to temporary status within the average company in all countries except Lithuania. This means temporary employees usually receive lower wages than their permanent counterparts due to pay differentials existing within companies and as well between companies, since temporary employees are more likely to work in companies characterised by relatively lower pay levels.

Labour market segmentation

Several findings from Eurofound’s research point to labour market segmentation in some Member States: that is, the labour force tends to split into two segments, with limited mobility between them. One of the segments, where temporary employees are more likely to be found, is characterised by more job insecurity, poor labour market prospects and lower pay levels, while the other segment, typically comprised of employees under permanent contracts, enjoys higher levels of job security, better pay and opportunities for career progression.

Occupations: Bottom of the heap

Earlier it was reported that as economic recovery takes hold, middle- and low-paying jobs are growing again. And while employment growth is central to the crusade for social cohesion and poverty reduction, the reality is that working conditions in some occupations towards the lower end of the pay spectrum are poor. Eurofound set itself the aim in its 2013–2016 work programme to identify the occupations with the poorest job quality to shed a light on the conditions that workers in those jobs experience so that policy might target those more specifically. The project concentrates on occupation because this is largely what determines a worker’s working conditions.

Most disadvantageous occupations

The research measured job quality according to four indicators: earnings, career prospects, working time and intrinsic job quality. Sixteen occupations scored low on all these indicators, meaning that these occupations fall well short of Eurofound’s definitions of good job quality and sustainable work. Yet they are some of the largest-employing occupations in Europe. When classified according to the 10 categories of the International Standard Classification of Occupations (ISCO-08), they are concentrated in 4 categories, which roughly equate to medium- and lower-skilled occupations.
### ISCO-08 major group & Occupation (3-digit ISCO)

#### Service and sales workers
- **512** Cooks
- **513** Waiters and bartenders
- **522** Shop salespersons
- **523** Cashiers and ticket clerks

#### Craft and related trades workers
- **751** Food processing and related trades workers
- **752** Wood treaters, cabinet-makers and related trades workers
- **753** Garment and related trades workers

#### Plant and machine operators and assemblers
- **814–818** Machine operators
- **821** Assemblers
- **832** Car, van and motorcycle drivers
- **834** Mobile plant operators

#### Elementary occupations
- **921** Agricultural, forestry and fishery labourers
- **931** Mining and construction labourers
- **932** Manufacturing labourers
- **941** Food preparation assistants
- **961** Refuse workers

None of the most disadvantageous occupations are found in the other ISCO categories of managers, professionals, technicians and associated professionals, and clerical support workers – all of which require higher skill levels – nor in the skilled agricultural, forestry and fishery workers category.

The research looks at many aspects of working conditions in making its assessment, including income, working time, career prospects, training provision and health risks. A snapshot of the findings is presented here to illustrate how far these occupations lag behind others on job quality.
**Working conditions**

**Income:** Around 8% of workers in other occupations have a very low income. Most of the disadvantageous occupations have higher proportions of such workers: well over 20% of some of the elementary occupations (food preparation assistants, agricultural labourers and refuse workers) as well as waiters and cashiers and ticket clerks.

**Training:** Many workers in disadvantageous occupations are low skilled and only through training can they hope to advance to better jobs. In all the disadvantageous occupations, however, over half of employees receive no employer-paid training. The occupations with the lowest proportions of employees who participate in any training are garment and related trades workers (16%) and agricultural, forestry and fishery labourers (18%).

**Low autonomy and high intensity**

These occupations are, in addition, characterised by limited employment prospects, atypical employment contracts, and problematic organisation of working time.

**Stress:** Research suggests that stress at work is highest when work is highly demanding (high intensity) but workers have little control over how they carry it out (low autonomy). High proportions of workers in many of the 16 most disadvantageous occupations find themselves in such high-strain jobs, especially assemblers, garment and related trades workers, manufacturing labourers, and machine operators.

In the manufacturing occupations, physical risks at work are a major concern.

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**Source:** Eurofound, EWCS
The disadvantageous occupations discussed here are not about to disappear. While there is evidence of a trend of upgrading of the occupational structure in Europe, meaning there are increasingly more jobs in the upper occupational groups, this is not the case in all countries; some countries exhibit polarisation, that is, growth in both high- and low-skilled jobs.

Projections up to 2025 by the European Centre for the Development of Vocational Training (Cedefop) indicate that elementary occupations especially are expected to grow — refuse workers, food preparation assistants, cleaners and helpers, and agricultural, forestry and fishery labourers. There will also be a major requirement for personal services workers — these include cooks and waiters — and shop salespersons.

Not only are such jobs, under current working conditions, not sustainable for workers over the course of their lives, poor job quality might make it difficult to fill vacancies. It therefore is up to employers and policymakers to address poor working conditions to make the prospect of working in these occupations attractive to potential recruits.

Future prospects

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Gender imbalances

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Segregation

Segregation

Occupational segregation by gender persists. Over half of all workers share their job title mainly with workers of the same sex as themselves (58% of men and 54% of women), while just one-fifth of workers share their job title with equal proportions of women and men. One-third of employees have a woman supervisor, a rise from one-quarter in 2000, but still a minority. Closer analysis shows that half of female employees have a woman supervisor, compared to only 15% of men.
**Working time**

Women work fewer hours in paid work than men on average, in large part because a higher proportion of women work part time. But the use of time outside work by both sexes is an important factor in understanding women’s participation in work. When unpaid working time – which includes work linked to care of children and other dependants and commuting time – is added to paid time, women overall work longer hours. This clearly indicates that care responsibilities and unpaid domestic work continue to be unevenly shared by women and men.

**Event**

In 2014, the employment rate for men of working age (15–64 years) was 70.1%; for women it was 59.6%. High employment rates in the EU cannot be achieved until the participation of women in the labour market to that of men. In July 2015, Eurofound presented preliminary findings of a project that looks at the challenges and costs of Europe’s gender employment gap to EU Labour Ministers and Ministers for Gender Equality at an informal EPSCO meeting under the Luxembourg EU Presidency. The gap exists in all Member States, varying between 1.5 percentage points in Finland to 25.6 percentage points in Malta.

**Gender employment gap, EU Member States, 2014**

*Source: EU-LFS, 2014*
Eurofound estimates that the loss to the European economy, when foregone earnings, unpaid taxes and excess of welfare transfers are calculated, is over €300 billion.

How to increase participation? Measures include:

- policies to ensure flexible working hours, to reduce segregation in the labour market and to facilitate work–life balance for working parents;
- more sharing of family responsibilities and domestic activities between men and women, facilitated by a greater focus on men and fathers in gender equality policies;
- the availability of affordable childcare services.

Early findings from the sixth EWCS show a mixed picture of working conditions in European workplaces; improvements on one measure are paralleled by declines on another. Six successive waves of the EWCS demonstrate that change comes mostly at a slow pace.

There are several groups in the labour market, however, who would benefit from faster progress. Poor working conditions across several measures, amounting to poor overall job quality, concentrate in specific occupations, most of which are expected to employ increased numbers in the coming years. Policy needs to target working conditions in these occupations if they are to attract workers in the short term and be sustainable in the long term.

Segmentation of labour markets in a number of European countries between temporary and permanent employees is another source of concern. The effect is to confine temporary employees to jobs with lower pay and poorer working conditions and, importantly, to limit their opportunities to transition into the permanent segment. It is to be hoped that the development of a European Pillar of Social Rights, as foreseen in the Commission’s 2016 work programme, which aspires to renewed convergence in the protection of workers and to reflect realities of 21st century Europe, might address the problems of a dual labour market.

Further information on issues around sustainable work is available in the spotlight Sustainable work – The future of working life.
Supporting working carers

Responsibility for the care of children or other dependants often makes people unavailable for work. For work to be sustainable for parents and carers, policy needs to support them in combining work and care. Addressing the childcare needs of working parents usually takes centre stage; further from the spotlight is the care of older or disabled relatives and dependants. Nevertheless, the provision of informal care places a substantial demand on sections of the working population and affects whether and to what extent these individuals can reconcile work and care duties.

According to Eurofound’s third European Quality of Life Survey (EQLS), 12% of men and 16% of women care for an elderly or disabled relative at least once a week. The proportion of carers is almost as high among employed people as in the general population. The likelihood of becoming a family carer increases with age; almost one in five people between 50 and 64 years of age has care duties at home.

Hierarchy of supports

While state provision of care services is one dimension of the support of working carers, the policy mix has to extend further to encompass employment-related strategies to reconcile work and care. At present, some countries have a combination of policies, while others have just a single support mechanism. In some countries, the ability to juggle both work and care is entirely dependent on the goodwill of employers.

The variety of measures implemented in Member States for the benefit of working carers is shown in Figure 14 (borrowing from Maslow’s hierarchy of needs). At the lowest levels of the pyramid are measures that address working time arrangements. They include flexible starting and finishing times, being able to work less on some days and more on others, and reductions in workload for a period.

Figure 14: Pyramid of reconciliation measures
Next in the hierarchy are protection mechanisms to provide security of employment. These are essential as the existence of any legal entitlement only makes sense if working carers are protected from dismissal for personal or economic reasons. The absence of employment protection would also jeopardise other reconciliation measures as workers would not easily claim their rights if they feared dismissal.

On a higher level again are leave entitlements, starting with emergency leave and force majeure leave. Still higher on the hierarchy of entitlements are unpaid short- and long-term leave and higher again are paid short- and long-term leave. The most sophisticated entitlements are short- and long-term leave with income replacement. This income is usually not covered by the employer but by insurance, local authorities or the central government.

Classifying Member States

Member States can be classified according to the mix of support measures they have in place, resulting in three clusters (see Figure 15).

**Cluster 1**
Countries that have a fully developed policy regime for the reconciliation of work and family life. Most have a good level of working time flexibility and, in some cases, employment protection for working carers. They also have extensive leave entitlements for carers.

**Cluster 2**
Countries that place an emphasis on short-term leave entitlements, with or without income replacement, and employment protection for working carers. These countries have limited working time flexibility and emergency leave entitlements.

**Cluster 3**
Countries that rely mostly on flexible working time arrangements. None of these countries has a long-term leave entitlement, and employment protection for working carers is under-developed. Many carers seem to give up work and become full-time carers, as reconciliation is not really possible.
The presence of the Netherlands in the third cluster does not accurately reflect the level of support available; while employment-related policies are few, there are many initiatives among social partners and at company level. In addition, the state in the Netherlands and Luxembourg provides a wide range of formal care institutions, so comprehensive employment-related policies are less critical.

Older workers were shielded from the worst effects of the recession and were less likely to lose their jobs than their younger counterparts. Nevertheless, the EWCS bears witness to the disadvantages they encounter in the workplace, in particular the lack of opportunities for learning and career advancement. The future prosperity of Europe demands an end to the almost customary practice of older workers exiting the labour market before retirement age; developing their skills and employability will underpin their continuing presence in the workforce.

Efforts to keep older people in work must also take account of the role many play as carers of dependent relatives, a responsibility that often forces them out of the labour market. Availability of a broad spectrum of measures – entitlements ranging from flexible working times to paid and unpaid leave, as exists in some Member States – would support these workers to combine work and care.

Issues related to this subject area are discussed in the spotlight Older people – Work, care and inclusion.
Early childhood education and care

Early childhood education and care (ECEC) services provide a host of benefits for children, including enhanced academic performance at school, reduction of poverty and a better work–life balance for their parents. And continuing professional development plays a key role for staff working in the services, both in terms of improving the outcomes for children and making the services more inclusive for children who experience different forms of disadvantage or who are in vulnerable situations.

Access to and quality of care are two dimensions that have gained increasing importance on the EU’s political agenda in recent years. Eurofound investigated those elements of working conditions and in-service training that boost the quality of ECEC services and improve access. In particular, in looking at how to improve outreach to children in vulnerable situations, it stresses the importance of building partnerships between the centres that deliver education and care and NGOs and social services. Moreover, developing joint activities for children with special needs and other children removes the stigma that may be associated with particular additional resources.

Event

The report from the study, Early childhood care: Accessibility and quality of services, was launched in September 2015 at a meeting organised by Eurofound together with the Confederation of Family Organisations in the European Union (COFACE). The event included a roundtable discussion on two-generation ECEC programmes. (Two-generation programmes seek to meet the needs of both children and their parents.) In the context of falling fertility rates and tighter budgets for ECEC services, the roundtable sought to map a route for how the sector might adapt to the socioeconomic environment and address employment, education and care-related challenges simultaneously.
Coordination of the EU Agencies

In 2015, Eurofound took over the Coordination of the EU Agencies Network. This is now a network of 44 Agencies that have been set up to aid the formulation and implementation of EU policies in a wide range of policy areas.

Eurofound’s priorities in its role of Coordinator included strengthening the relationships between the Agencies and high-level policymakers in the EU and Member States by improving the Agencies’ visibility and promoting their added value, as well as building a framework for a long-term dialogue with EU Institutions. It also focused on consolidating the functioning of the Network and improving its effectiveness by adopting a more strategic perspective for its activities in the future.

Key events in 2015

11 March – The Fundamental Rights Agency hands over Coordination of the EU Agencies Network to Eurofound in Dublin.

27–28 May – Eurofound hosts meetings of the Heads of Agencies and Heads of Administration of Agencies in Brussels, at which Kristalina Georgieva, Vice-President of the European Commission and European Commissioner for Budget and Human Resources, has a keynote input.

23 October – Heads of Agencies meet in Dublin and agree the (Dublin) Strategy Agenda for the Agencies, which sets out the strategic priorities for the Network and outlines a plan to make progress on them.
Sources

First findings: Sixth European Working Conditions Survey
Towards ‘better jobs’: Eurofound’s approach to measuring the quality of work
Recent developments in temporary employment: Employment growth, wages and transitions
Improving working conditions in occupations with multiple disadvantages
Gender equality in the EU: Priorities for EU strategy
Working and caring: Reconciliation measures in times of demographic change
Early childhood care: Accessibility and quality of services
Europe’s long journey to better living conditions for all its citizens continues. Sizeable sections of political and public opinion in Member States feel that national living standards, already depressed by the crisis, are threatened by inflows of citizens of other countries – EU and, more recently, with the refugee crisis, non-EU – draining their social welfare systems. Examination of the impact of mobile EU citizens on host country benefit systems, however, indicates that such perceptions are ill-informed.

One area where headway was made, thanks to substantial EU funding, was in the initiatives started under the Youth Guarantee aimed at getting young people into work or education. Roll-out started in 2014 across Member States and it was possible in 2015 to glean insights from initiatives already afoot.

One negative effect of the economic crisis only now coming more clearly into view is rising wage inequality. Wages across the Union were converging in the pre-crisis prosperity, but the process reversed after 2008, shattering another line along which Member States were coming together.

Challenging exclusion and inequality
Mobility and migration

The signature event of 2015 in Europe, one that unfolded over the whole year and persists into 2016, was undoubtedly the crossing of the Mediterranean by waves of refugees and migrants from the Middle East and Africa. Following a special meeting of the European Council in April, convened to agree a strategy to prevent the loss of life at sea, Eurofound and fellow members within the network of EU Agencies confirmed their commitment to ensuring every effort was made to address the human crisis.

The issue of how to deal with the numbers seeking safety – around 1 million in 2015 – has put further strain on a Union already polarised by the effects of the economic crisis. The unilateral action of some Member States to reinstate border controls and suspend Schengen suggests a retreat on one axis from the goal, or the necessity of ‘more union’, as Commission President Jean-Claude Juncker put it.

Nonetheless, the European Commission in its autumn 2015 economic forecast optimistically proposed that the arrival of large numbers of asylum seekers could have a positive impact on growth in the short term from the public spending stimulus and in the medium term arising from the increased labour supply, provided that Member States have the right policies in place to facilitate access to the labour market. The stance reflects President Juncker’s view that migration should ‘change from a problem to be tackled to a well-managed resource’ that might be applied to address labour shortages and demographic ageing within the continent.

EU mobile citizens: Employment, unemployment and take-up of benefits

The debate around the social and economic impact of refugees on the countries to which they flee echoes the more local discourse that has been rumbling since citizens of the central and eastern European Member States have had access to labour markets in the EU15 (the pre-2004 Member States), an issue that political leaders have yet to resolve. The Commission considers the internal movement of EU citizens for work an important means of addressing demand for skilled labour and tackling bottlenecks in filling job vacancies, thereby contributing to economic growth across the Union. The Commission’s Labour Mobility Package, due in 2016, promises to further support labour mobility in the EU.

But a substantial swathe of public and political opinion across the EU15 is resistant to unfettered freedom of movement. A particular bone of contention is welfare tourism, the view that mobile EU citizens are attracted to the EU15 Member States by their generous social protection systems, which they benefit from without having contributed. In 2013, the home affairs ministers of Austria, Germany, the Netherlands and the UK wrote to the President of the European Council, expressing concern that the large volume of ‘immigrants’ from other Member States are burdening ‘host societies with considerable additional costs’.

The issue gained greater prominence in 2015 as the UK campaign to avoid an exit from the EU came to hinge upon one point – the withholding of access to in-work benefits for mobile EU citizens for four years after they are resident in the country.

Eurofound sought to examine the evidence of welfare tourism, looking into the take-up of benefits and services by mobile EU citizens in nine of the EU15: Austria, Denmark, Germany, Ireland, Italy, the Netherlands, Spain, Sweden and the UK. The study focused on citizens from the 10 central and eastern European countries that acceded to the EU in 2004 and 2007: Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia and Slovenia, referred to as the EU10. Data from Eurostat include Cyprus and Malta, in which case the group is referred to as the EU12.

Employment rates

Most EU10 citizens migrate for work, and over 80% living in the host countries are of working age. Eurostat data show that in 2014, in the EU as a whole and in the EU15, employment of EU12 citizens was higher than that of natives.
Their employment was affected by the crisis. In 2007, the employment rate of EU12 citizens in the EU15 was 4.7 percentage points higher than that of natives, but the gap narrowed to just 1.4 percentage points by 2011. The gap widened again to 2.7 percentage points in 2014 alongside the economic recovery but has not reached the pre-crisis levels.

Figures for the individual host countries show that the employment rate of EU12 citizens in 2014 was higher only in Italy, Ireland and the UK. Much of the reason for this is the disproportionate job loss among EU12 citizens compared to natives during the recession. Data for Spain, for instance, show that the employment rate of EU10 citizens fell below that of Spanish nationals only in recent years. In Italy, which was also deeply affected by the economic downturn, this was not the case: the employment rate of EU10 citizens has always been higher than that of Italians, even during the crisis.

In Germany, the Netherlands and Sweden, the employment rate of EU12 citizens was lower than that of natives before the crisis, but rose to converge with natives’ employment rates post-crisis, although remaining lower. In the UK, the employment rate of EU12 nationals remained consistently higher than that of UK citizens throughout the whole period between 2007 and 2014.

Unemployment benefits
Since 2008, the number of EU10 nationals receiving unemployment benefit in the nine host countries has increased more than that of natives. This has occurred, in large part, because they are more vulnerable in the labour market – more likely to have non-standard employment contracts, more likely to work in jobs below their qualification level – and lost their jobs to a greater extent than natives.

Take-up of unemployment benefits by mobile EU10 citizens was greater than that of natives overall in Austria, Denmark, Germany, the Netherlands, Ireland and Sweden. In Sweden, for example, 5.5% of EU10 citizens of working age were drawing unemployment benefit in 2012, compared with 4.4% of Swedes. However, in the UK, the share of EU10 citizens receiving unemployment benefits was lower in 2013 than that of natives.

EU10 citizens when unemployed are also more likely to use state services to get back to work. The research found that they were more likely to participate in activation schemes – involving activities such as job search support and training – than natives.
Other benefits
Receipt of other benefits is lower overall among mobile EU10 citizens than natives in the host countries. Take-up of social assistance – typically a non-contributory, means-tested benefit for those without any other income – increased but in line with the take-up by natives. Sweden is an exception: in 2010, 5% of EU10 citizens received social assistance, a higher percentage than that of Swedish nationals (3.5%) but not much higher than of mobile EU15 citizens (4.8%).

As for the take-up of sickness and disability benefits, the pattern is similar across all countries examined: natives use these types of benefits more often than EU10 nationals. Take-up of family-related benefits is also lower, although this may change as EU10 citizens stay and bring or begin to form families. This is the one area where UK defies the pattern. Child benefit is one of the few benefits where the take-up by EU10 citizens (28%) is higher than that of UK nationals (18%). The importance of child-related benefits among EU10 citizens is also suggested by their higher take-up of tax credit (19%, compared with 12% for UK nationals).

Figure 17: Comparison of benefit uptake by citizen group – the UK as an example

Source: UK Labour Force Survey, 2013 Q2
Mobile EU citizens from the central and eastern European Member States that joined the EU in 2004 and 2007 (EU10) take up benefits and use public services to a lesser extent, on the whole, than the native population in host Member States. They do, however, claim unemployment benefits more than the native population in a majority of the countries where such data are available. This is mainly because mobile EU10 workers were more likely to lose their jobs in the employment shake-out of the recession. The gap in the take-up of unemployment benefits between mobile EU10 citizens and native populations is likely to narrow or even disappear as economies recover more strongly. EU10 citizens face disadvantage in the labour market nevertheless; greater employment support targeted at this group would aid their reintegration into work.

Social inclusion of mobile EU citizens has been neglected in policy at both national and EU level. More should be done by Member States to aid integration, and the provision of language training would be a significant move. Better integration would not only help those who are unemployed to find work in their host countries, it would also help to ease local tensions that migratory shifts may have caused.

More on this topic is available in the spotlight Mobility and migration.
Although youth unemployment fell in 2015, almost two-thirds of Member States continued to experience their highest youth unemployment rates ever. By year end, the EU youth unemployment rate was 19.7%, down from 21.2% the previous year. In Croatia, Greece and Spain, over 40% of young people looking for work could not find any.

In response to the youth unemployment crisis, the EU established the Youth Guarantee in 2013, which aims to ensure that all young people up to the age of 25 receive a good quality offer of a job, continued education, apprenticeship or traineeship within four months of becoming unemployed or leaving education. Member States began to implement the Youth Guarantee in 2014, backed by €10 billion in funding from the Youth Employment Initiative and national governments. It is one of the most rapidly implemented schemes in the history of the EU, and Eurofound examined what Member States had achieved in its first year.

The Youth Guarantee
one year in

In September 2015, Eurofound presented a review of lessons learned from the first year of implementation of the Youth Guarantee to the Employment Committee (EMCO), which has been tasked with monitoring implementation of the initiative.

In December, the Agency took part in a thematic review of the Youth Guarantee. Eurofound contributed with a presentation on the diversity of the population young people classified under the label of NEET (not in employment, education or training), arguing that policymakers must take account of this heterogeneity for policy to be effective.

The value of the Youth Guarantee lies in a number of factors.

- It intervenes early to avoid protracted disengagement of young people from work or education – the evidence suggests that the longer the disengagement, the more negative the consequences for the young person.

- It promotes both immediate measures to help young people back into the labour market as well as long-term institutional and strategic reforms to address structural problems in the transition between education and employment.

- It emphasises the provision of a personalised and integrated approach.
Steps towards implementation

Eurofound’s review finds that Member States are following their own trajectories and implementing the Youth Guarantee based on their institutional set-ups, labour market situations and structural framework conditions. Some have chosen a more holistic approach and are using the initiative as a means to improve links between the labour market, education and vocational education and training (VET) provisions, as well as youth and social policies more generally. They are also taking into account how to reach the most vulnerable. Other countries have chosen a narrower approach focusing on employment policies and on those who are closer to the labour market and easier to reintegrate.

Concrete measures

Concrete measures put in place under the Youth Guarantee so far are generally of the following types.

**Reaching out and engaging young people:** Outreach activities, such as those by public employment services and youth organisations, seek to identify young people who need support, to better understand their circumstances and needs, and to inform them of the scheme. Several Member States have put online tools in place for this purpose.

**Information, counselling and guidance:** Public employment services are the main source of information, support and guidance for people looking for work, but young people are often disinclined to engage with them. Member States are trying to improve how these entities position themselves with young people so that their services are taken up.

**Assisting school-to-work transitions:** Measures to smooth the path from school to work include preventing early school-leaving, reintegrating early school-leavers, fostering skills acquisition through participation in civic activities, recognising existing skills, and offering employment incentives to enhance young people’s employability.

**Training and work experience placements:** The provision of work placements and work experience is a very common measure in the implementation plans. A number of countries provide additional financial incentives to businesses encouraging them to employ young people.

**VET and apprenticeships:** Apprenticeships are often described as one of the main options for implementing the Youth Guarantee, and VET reforms are considered a crucial pillar of the scheme. Many countries that currently do not have a functioning apprenticeship system plan to reform their VET system to provide for dual learning pathways in line with practices in Austria, Germany and Switzerland.

**Fostering youth entrepreneurship:** Entrepreneurship measures aim to foster an entrepreneurial mindset among young people and to provide support for business start-ups; they also include the reduction of the practical and financial barriers to entrepreneurship.

**Targeted measures for specific at-risk groups:** These address vulnerable groups within the youth cohort, including young people with disabilities and young people from disadvantaged backgrounds.

Ideally, these measures are combined in an integrated approach to provide the necessary personalised support to young people.
Broader approaches to social inclusion

Despite the progress made as part of the Youth Guarantee, the adverse impact of the economic downturn on young people goes far beyond their employment status to affect their social inclusion more generally. This is evident in the fact that almost 30% of young people aged 15–29 across the EU are now at risk of poverty and social exclusion, the highest risk of any age group.

Beyond employment, the social inclusion, empowerment and participation of young people could be improved by measures such as:

- encouraging more coordination between employment and social inclusion policies aimed at young people;
- tailoring Youth Guarantee schemes towards young people who are not job-ready and require extra support for reintegration;
- ensuring the opportunities offered to young people are of good quality and ultimately lead to sustainable employment;
- strengthening the capacities and capabilities of the public employment services and the absorption capacity of VET and education systems more broadly;
- targeting more public investment towards broader social policy measures.

Event

Eurofound's report *Social inclusion of young people* was launched at a meeting of the European Parliament's Committee on Employment and Social Affairs (EMPL) in Brussels on 23 September 2015. The report investigates how the Youth Guarantee has been implemented in 10 Member States and looks at the need to broaden the issue beyond the labour market to discuss the social inclusion of young people.
Policy message: Youth in Europe

Implementation of the Youth Guarantee is well underway, and measures promoting the employability and labour market participation of young people have been rolled out across Member States. The most successful initiatives are those that recognise the diversity of the young population and that tailor personalised services to specific needs.

Despite the progress made with the Youth Guarantee, the adverse impact of the economic downturn on young people goes far beyond their employment situation to affect their social inclusion more generally. While employment is a key pathway to social inclusion, policy needs to be broader, as envisaged by the European Youth Strategy. This identifies four main policy domains: employment and education; youth participation (centred mainly on civic engagement and volunteering); policies specific to disadvantaged groups; and policies for access to services and income support. So far, the focus of policy actions both at European and national level has been mainly on the employment strand. The other dimensions warrant greater policy prominence so that a full range of measures are put in place to prevent the social exclusion of young people.

More topics in this subject area are discussed in the spotlight Youth in Europe.

Wage inequality

In the years before the financial crisis of 2008, there was a significant reduction in overall EU wage inequality, driven by economic convergence between rich and poor Member States. It seemed that the goal of the European social model was coming to pass, with social progress achieved alongside economic growth. The 2008 crisis stopped and in some cases reversed the trend, however, expanding pre-existing wage differentials between countries. Its impact on wage inequalities within countries has varied greatly across the EU.

Wage distribution in the EU

Figure 18 (overleaf) shows an approximation of the distribution of wages in the EU, broken down by Member State. The horizontal axis represents full-time equivalent monthly wages in euro, adjusted for purchasing power parity (PPP) to account for differing price levels across Member States. Each bar corresponds to an interval of €100 in PPP wages and is broken down by country. The vertical axis represents the percentage of EU employees reporting wages in each interval. So, for instance, the most common monthly wage level in the EU, at the highest peak of the graph, corresponds to the interval PPP of €1,500–€1,600, earned by almost 4% of wage earners in the EU. To the far right, all wages above a PPP of €8,700 are aggregated, corresponding to the top 1% of the wage distribution in the EU (this is likely to be an underestimation of upper wage levels due to poor survey coverage of the top of the distribution).

The chart shows that eastern European Member States dominate the bottom 20% of the wage distribution and have only a very limited presence in mid to high wage levels. Despite their high income levels, Germany and the UK have a significant proportion of wage earners in the bottom 20%. The UK is remarkable for its polarisation: nearly half of the top 1% of EU wage earners are in the UK, and yet it also has a substantial presence in the bottom 40% (it is important to remember that wages here are expressed in PPP). Germany has a significant presence in high wage levels, but not so much in the extremely high wages of the top 1%. France is considerably more concentrated in wages between 20% and 60% of the distribution, with a limited presence below and to some extent above this. In summary, the figure shows that countries do have distinct positions in the distribution of overall wages in the EU, but that there is also a considerable amount of overlap between them.
Figure 18: Distribution of employees by full-time equivalent wage levels in the EU

Note: Wages are adjusted for purchasing power parity; a guide to the EU country codes can be found at the front of this publication.
Source: EU Statistics on Income and Living Conditions (EU-SILC)

Measuring wage inequality

The Gini index is the most commonly used measure of inequality; a value of 0 represents perfect equality (where everyone earns the same wage), a value of 1 represents maximum inequality (one person earns all the wages). The Gini index for the EU as a whole in 2011 is 0.346 (for full-time equivalent wages measured in purchasing power parity (PPP)). Between 2004 and 2008, EU wage inequality decreased (from 0.368 to 0.336); after 2008, it increased.

The decrease before the crisis was entirely due to a convergence in national wage levels, mostly driven by a rapid catch-up by eastern European Member States and a stagnation (or even decrease) of wages in the two biggest countries, Germany and the UK. After 2008, there was no further reduction of between-countries differentials.

The main driver behind the increase in wage inequality after 2008 was within-country inequality, which until that point had remained more or less stable. But that increase was, to a large extent, driven by developments in the UK, without which the overall EU within-country component of inequality remained more or less stable as a result of rather diverse developments at country level.

Figure 19 shows the Gini index of inequality for full-time equivalent wages in the 24 European countries for which EU-SILC data are available, for 2004, 2008 and 2011. The majority have Gini indices below the EU average, but the three most unequal Member States have a higher value: the UK – 0.404; Portugal – 0.358; and Latvia – 0.357. The lowest values are for the three Nordic Member States and Slovakia, all of which have Gini values below 0.25.
The recent reversal of the process of convergence in wage levels that took place before 2008 is inconsistent with progress towards the social market economy and the cohesion objectives of the European project. An ever closer Union should be reflected in ever closer standards of living, and wages are an important element of that. EU economic policies should take into account the widely different fortunes of different European regions in recent wage developments, where there are few unambiguously positive cases.

Only Member States in eastern Europe saw clear positive developments from the beginning of the 2000s until now, in the form of convergence to the EU average and declining levels of wage inequality. Recent developments in southern European Member States seem particularly problematic, with no convergence in real wages and increasing inequality before the crisis; this reversed, for the most part, after the crisis, but only because unemployment shifted inequality outside of the labour market.

The figure also shows how the Gini index changed for Member States over 2004–2011. National-level wage inequality generally followed a cyclical pattern, expanding with growth (in 15 out of 24 countries) and shrinking with recession (16 out of 24), although with some very significant exceptions. In many eastern European Member States, however, wage inequality consistently decreased throughout the whole period, while in Austria, Belgium, Denmark and to a lesser extent Germany, it consistently increased. In the UK, wage inequality fell markedly before 2008 and afterwards rebounded even more sharply.

In southern European Member States as well as Latvia and Lithuania, wage inequality increased up to 2008 and decreased afterward. In many of these countries, however, the trends in wage inequality contrasted radically with developments in wider income inequality, which moved in an opposite direction. The reason was the significant rise in unemployment, which increased income inequality by drastically reducing the earnings of those who lost their jobs. At the same time, wage inequality fell as a result of some relatively low-paid segments of employment being eliminated. Hence, the increase in unemployment led to a decrease in wage inequality but to an increase in overall inequality levels.

Policy message: Social cohesion

The recent reversal of the process of convergence in wage levels that took place before 2008 is inconsistent with progress towards the social market economy and the cohesion objectives of the European project. An ever closer Union should be reflected in ever closer standards of living, and wages are an important element of that. EU economic policies should take into account the widely different fortunes of different European regions in recent wage developments, where there are few unambiguously positive cases.
Tackling non-take-up of benefits

Social policies that aim to address a social need by means of benefit payments are unsuccessful if the people entitled to those benefits fail to receive them. Non-take-up reduces the potential of initiatives to cut down on poverty or to support integration into employment, for instance. Non-take-up, furthermore, exacerbates social inequalities, exposing vulnerable population groups to further exclusion. There is an onus, therefore, on policymakers to ensure that the end-product of a policy reaches its target. And this obligation holds even when people choose not to take up a benefit, when, for example, they associate it with stigma or see take-up as eroding their independence.

Scale of the problem

Non-take-up is a problem of considerable magnitude. Estimates from a number of Member States examined by Eurofound indicate that in each country there is at least one type of benefit for which over one-third of people who are entitled to the benefit do not receive it. Furthermore, most of these benefits provide for a large number of beneficiaries, not exceptional situations. Non-take-up is an issue for a broad range of benefits and is not restricted to those that are means-tested.

Reasons for non-take-up

Potential beneficiaries do not make benefit claims for a mix of reasons, including:

- **lack of information**: they are unaware of the benefit, or they misunderstand it, entitlement to it or application procedures;
- **costly or complex access**: a complex application procedure will deter potential claimants, especially if they have limited competences to navigate the system, if it is time-consuming, or if it requires travel to a welfare or employment office;
- **social barriers**: people are less likely to claim if they perceive stigma around a benefit, if they feel they do not need it, if their pride deters them or if they mistrust the institution providing it.

Sometimes the reason is very specific to the benefit. For example, a family income supplement in Ireland required applicants to have a form signed by their employers. It has been argued that this was a barrier to take-up because workers felt it might be seen by employers as a criticism of their pay level.

Promoting take-up

Several measures can be taken to improve take-up of benefits. Ideally, benefits should be paid automatically, with no need for applications, by the institution that assesses entitlement. This might require that institutions have access to clients’ data from different sources, which data protection laws might preclude. If automation is not possible, administrative systems, where possible, should be proactive about notifying people who are likely to be entitled to a benefit when certain life events take place or when entitlement criteria change.

Most benefit systems were designed before the widespread use of information and communication technology (ICT) and have been adjusted only incrementally and gradually. Rethinking how ICT could streamline information gathering could render applications unnecessary or make systems more proactive.

Simple, transparent and stable benefit criteria are important if people are to navigate benefit systems. Policymakers should be wary of a reverse logic, however, with simplicity and data availability determining the entitlement criteria and thus compromising the aim of the benefit.

Making information available is critical, too: publishing it on the web measurably increases ease of access, and enabling online applications removes a further barrier.
Social benefits are essential tools for policymakers in reducing poverty, providing minimum living standards and enabling active participation in society. While non-take-up might be welcomed as a saving to government spending, insofar as benefits are not taken up by the people targeted, it represents a failure of policy. Non-take-up is a widespread problem across countries and benefit types and does not apply just to means-tested benefits. Improved administrative procedures, clear eligibility criteria, supporting claimants in making applications and creativity in reaching non-claimants would all contribute to reducing non-take-up.

Details of Eurofound’s coverage of this subject area are provided in the spotlight Quality of life, citizens and public services.

Policy message: Quality of life, citizens and public services

Social benefits are essential tools for policymakers in reducing poverty, providing minimum living standards and enabling active participation in society. While non-take-up might be welcomed as a saving to government spending, insofar as benefits are not taken up by the people targeted, it represents a failure of policy. Non-take-up is a widespread problem across countries and benefit types and does not apply just to means-tested benefits. Improved administrative procedures, clear eligibility criteria, supporting claimants in making applications and creativity in reaching non-claimants would all contribute to reducing non-take-up.

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Sources

The social dimension of intra-EU mobility: Impact on public services

Social inclusion of young people

Recent developments in the distribution of wages in Europe

Access to social benefits: Reducing non-take-up
Key messages and future research
Eurofound’s key messages
Employment in Europe is on a slow but clear growth trajectory after a long period of job destruction and stagnation, but more can be done to promote job creation. Eurofound’s research shows that specific business types in the SME community have the potential to create more employment, and promoting the development of entrepreneurs could not only contribute to employment in the short term, but nurture an entrepreneurial culture in the long term.

Labour markets have become more polarised between high-skilled, high-paying jobs and low-skilled, low-paying jobs. Atypical work is growing for reasons such as the flexible employment requirements of the growing service sector, labour market deregulation and the working time choices of women and older workers. Globalisation and technology are also transforming the way people work. New forms of employment are emerging such as crowd employment and the sharing economy. While they are diverse in their characteristics and the employment relationships, all may increase flexibility for employers, employees or both but may also fall between the gaps of existing regulatory protections, raising the need for policy intervention.

In 2016, Eurofound will look at the wider implications of structural shifts in employment: whether job polarisation is linked to increasing or decreasing wage inequality, and how it might be related to the evolution of unemployment.

Mobile EU citizens from the central and eastern European Member States that joined the EU in 2004 and 2007 (EU10) take up benefits and use public services to a lesser extent on the whole than the native population in host Member States. In recent years, they have claimed unemployment benefits more than the native population in a majority of the countries where such data are available. This is mainly because mobile EU10 workers were more likely to lose their jobs in the employment shake-out of the recession. The gap in the take-up of unemployment benefits between mobile EU10 citizens and native populations is likely to narrow or even disappear as economies recover more strongly. EU10 citizens face disadvantage in the labour market nevertheless; greater employment support targeted at this group would aid their reintegration into work.

Social inclusion of mobile EU citizens has been neglected in policy at both national and EU level. More should be done by Member States to aid integration, and the provision of language training would be a significant move. Better integration would not only help those who are unemployed to find work in their host countries, it would also help to ease local tensions that migratory shifts may have caused.

Eurofound’s next project on this theme will examine the labour market integration of refugees in the EU. This will include an overview of the legal frameworks for the employment of refugees in the Member States as well as a snapshot of measures implemented in response to the recent refugee crisis.
Implementation of the Youth Guarantee is well underway, and measures promoting the employability and labour market participation of young people have been rolled out across Member States. The most successful initiatives are those that recognise the diversity of the young population and that tailor personalised services to specific needs.

Despite the progress made with the Youth Guarantee, the adverse impact of the economic downturn on young people goes far beyond their employment situation to affect their social inclusion more generally. While employment is a key pathway to social inclusion, policy needs to be broader, as envisaged by the European Youth Strategy. This identifies four main policy domains: employment and education; youth participation (centred mainly on civic engagement and volunteering); policies specific to disadvantaged groups; and policies for access to services and income support. So far, the focus of policy actions both at European and national level has been mainly on the employment strand. The other dimensions warrant greater policy prominence so that a full range of measures can be put in place to prevent the social exclusion of young people.

Eurofound will continue its work on the social inclusion of young people with a project on long-term unemployed youth. The risk of social exclusion and disengagement increases significantly among young people unemployed for more than a year, and long-term youth unemployment is still rising. The project will investigate the consequences and costs of long-term youth unemployment.

The success of companies does not depend solely on their capabilities for product or process innovation; it is also shaped by the design and organisation of work and the extent to which organisations are innovative in this regard. At the core of workplace innovation is building an environment where employees participate in operational and strategic decision-making, and can contribute to organisational change and renewal, hence improving economic performance and the quality of working life. Nearly half of European workplaces have extensive practices for employee participation in organisational decision-making; it is to be hoped that more will follow suit.

The next step in the examination of workplace practices will look at how they are implemented in companies in different sectors. A second study will examine to what extent companies that participated in the ECS introduced new products and services, processes and marketing strategies, and how these changes and innovations are linked to practices in other areas and to company performance.
Early findings of the sixth EWCS show a mixed picture of working conditions in European workplaces; improvements on one measure are paralleled by declines on another. Six successive waves of the EWCS demonstrate that change comes mostly at a slow pace.

There are several groups in the labour market, however, who would benefit from faster progress. Poor working conditions across several measures, amounting to poor overall job quality, concentrate in specific occupations, most of which are expected to employ increased numbers in the coming years. Policy needs to target working conditions in these occupations if they are to attract workers in the short term and be sustainable in the long term.

Segmentation of labour markets in a number of European countries between temporary and permanent employees is another source of concern. The effect is to confine temporary employees to jobs with lower pay and poorer working conditions and, importantly, to limit their opportunities to transition into the permanent segment. It is to be hoped that the development of a European Pillar of Social Rights, as foreseen in the Commission’s 2016 work programme, which aspires to renewed convergence in the protection of workers and to reflect realities of 21st century Europe, might address the problems of a dual labour market.

Eurofound will publish a full analysis of the sixth EWCS findings in 2016, providing a comprehensive picture of the current state of play of working conditions in Europe.

Social benefits are essential tools for policymakers in reducing poverty, providing minimum living standards and enabling active participation in society. While non-take-up might be welcomed as a saving in government spending, insofar as benefits are not taken up by those entitled to them, it represents a failure of policy. Non-take-up is a widespread problem across countries and benefit types and does not apply just to means-tested benefits. Improved administrative procedures, clear eligibility criteria, support for claimants in making applications, and creativity in reaching non-claimants would contribute to reducing non-take-up.

Eurofound will continue its analysis of the delivery of public services with a study of the role that private and non-profit providers play, looking specifically at the consequences for the quality, accessibility and effectiveness of services.
Older workers were shielded from the worst effects of the recession and were less likely to lose their jobs than their younger counterparts. Nevertheless, the EWCS bears witness to the disadvantages they encounter in the workplace, in particular the lack of opportunities for learning and career advancement. The future prosperity of Europe demands an end to the almost customary practice of older workers exiting the labour market before retirement age; developing their skills and employability will underpin their continuing presence in the workforce.

Efforts to keep older people in work must also take account of the role many play as carers of dependent relatives, a responsibility that often forces them out of the labour market. Availability of a broad spectrum of measures – entitlements ranging from to flexible working times to paid and unpaid leave, as exists in some Member States – would support these workers to combine work and care.

New analysis of the situation of older workers will be conducted in 2016 based on data from the sixth EWCS; this will form the basis of a chapter on sustainable working lives for a multi-Agency report produced in cooperation with sister Agency EU-OSHA.

The recent reversal of the process of convergence in wage levels that took place before 2008 is inconsistent with progress towards the social market economy and the cohesion objectives of the European project. An ever closer union should be reflected in ever closer standards of living, and wages are an important element of that. EU economic policies should take into account the widely different fortunes of different European regions in recent wage developments, where there are few unambiguously positive cases.

Only Member States in eastern Europe saw clear positive developments since the beginning of the 2000s until now, in the form of convergence to the EU average and declining levels of wage inequality. Recent developments in southern European Member States seem particularly problematic, with no convergence in real wages and increasing inequality before the crisis; this reversed, for the most part, after the crisis, but only because unemployment shifted inequality outside of the labour market.

The focus of Eurofound’s next work on social cohesion is on in-work poverty. The project plans to identify the characteristics of the working poor and to assess policies aimed at addressing in-work poverty to formulate guidance on how it can be prevented or reduced.
Even as the Commission has given a fresh impetus to strengthening the input of social dialogue in policymaking at EU level, one of its core functions – collective bargaining – has been fragmenting at Member State level. The effective functioning of Europe’s social market economy necessitates a reaffirmation of the value of collective bargaining.

The evidence from Eurofound identifies two paths along which collective bargaining is evolving. Along one path, the role of collective bargaining is narrowing to a mechanism for setting wages within a corridor determined by firm performance, competitiveness and productivity. The other is a wider path where the role of collective bargaining encompasses social integration, equality and fairness, and influences employment and working conditions as well its subsidiary role in regard to income and wealth distribution in society more broadly.

Since the late 1990s, there has been a growing imbalance between the two, to the detriment of the wider and more solidarity-oriented dimension. The erosion of the wider dimension of collective bargaining across multiple fronts may come to challenge fair and inclusive labour markets and social conditions. Eurofound’s evidence does not support the assumption that decentralised bargaining leads to better adjustment to productivity. The findings suggest that decentralised approaches to wage setting are unlikely to yield wage moderation and, concomitantly, to secure high levels of employment, competitiveness and macroeconomic stability.

In 2016, Eurofound will examine the feasibility of developing a European Social Dialogue database of the key findings and figures on EU-level social partners obtained through its representative studies, enabling the data to be combined and compared more effectively. The Agency will also publish the results of a study on innovative approaches developed by the social partners in response to new challenges, as well as an analysis of the role of the social partners in the European Semester and the National Reform Programmes.
To aid the monitoring of developments in working and living conditions in Member States over time, Eurofound conducts three Europe-wide surveys and maintains two observatories.
Pan-European surveys

The surveys gather information on how Europeans work, live and perceive their circumstances, and enable the Agency to monitor how these change over time.

The European Working Conditions Survey, begun in 1990, is carried out every five years and provides a comprehensive picture of work in Europe. The survey covers topics including working time, work organisation, work–life balance, psychosocial and physical risks, job performance and job satisfaction. The sixth survey, conducted in 2015, covered more than 43,000 workers in 35 countries.

The European Quality of Life Survey provides data on issues pertaining to the everyday life of Europeans. The third wave of the survey, carried out in 2012 in 34 countries, questioned people on the quality of society and community life, as well their employment situation, education, income levels, family life, housing and social networks.

The European Company Survey was first carried out in 2004–2005; the third wave, in 2013, surveyed some 30,000 workplaces in 32 countries. The data collected are the perspectives of managers and employee representatives on a range of work-related issues, such as human resource management practices, employee participation, social dialogue in the workplace, performance and innovation.

Observatories

While the surveys gather large volumes of information at points in time, the observatories gather and publish information on a continuous basis.

EurWORK: The European Observatory of Work Life (EurWORK) is the point of access to Eurofound’s research findings on working life. It publishes timely findings on developments at national and European level to contribute to the European debate on industrial relations and working conditions. The observatory’s output includes topical and country updates, comparative studies, annual reviews, annual updates on key issues, thematic and sectoral analyses, a collective wage-bargaining portal and the European industrial relations dictionary.

EMCC: The European Monitoring Centre on Change (EMCC) tracks change in European labour markets and identifies emerging and potential labour market trends. Two projects within the EMCC pursue particular objectives within this framework. The European Restructuring Monitor (ERM) provides up-to-date news and analysis on company restructuring, as well as details of relevant legislation and support initiatives. Alongside this, the European Jobs Monitor (EJM) describes annual shifts in employment at Member State and EU level, identifying the jobs in which employment is growing, those in which it is contracting and the implications of these shifts for overall job quality.
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Eurofound’s brief

What does Eurofound do for you?

- We benchmark good practice in industrial relations, living and working conditions, employment and competitiveness
- We make key actors aware of challenges and solutions
- We support policymaking by monitoring the latest developments in living and working conditions

Eurofound, a tripartite European Union Agency, provides knowledge to assist in the development of social and work-related policies.